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# **An Examination of Strategy Development and Strategic Management Processes within Growth-Seeking Small Businesses**

2014

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A thesis submitted in fulfilment of the requirements of the University of  
Middlesex, London for the Degree of Doctor of Philosophy

Middlesex University Business School  
Department of International Management and Innovation

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## **Abstract**

### **An Examination of Strategy Development and Strategic Management Processes within Growth-Seeking Small Businesses**

This doctoral thesis responds to the need for greater understanding of what constitutes effective strategic management practice in successfully developing small firms. And an associate need to enhance the strategic management capability of small business owner managers and ability of support providers to deliver sound, pragmatic strategy development assistance.

The study in its action research mode of investigation recognises and attempts to address the numerous shortcomings and pitfalls associated with small business management. Integral to this approach is a longitudinal business development project-orientation to facilitate the fulfilling of parallel academic and small business development practice objectives.

The research approach is based upon the premise that there is a glove-tight relationship between advances in knowledge and the research methodology which facilitate those knowledge advances. An overarching aim of this study is thus the development of a creative and innovative research approach to enable production not only of advances in small business strategic management knowledge and practical small business development, but also a base research methodology capable of ongoing refinement and use by others in the future.

The origins of the methodology lay in the non-acceptance of traditional philosophical positions in epistemology and ontology, with a philosophical standpoint of constructive

alternativism underpinning the research and the use of a drive theory which builds out of that standpoint.

As part response to that philosophical positioning, the concept of epistemological bootstrapping is used to develop a 'partial research framework' to foothold and inform the qualitative action research process. The key insights highlighted by the 'bootstrap' facilitate design and development of the innovative methodology, integral to which is a close 'rich' working partnership interface with the participant small business owner managers.

A novel attempt at linked multi-level and processual (contextualist) analysis was attempted within an action research approach which is underpinned and driven by personal construct theory. Both researcher and the researched are thus treated as 'man the scientist' who is progressively seeking to refine and enhance his own personal constructions of phenomenon, issues and circumstances facing him throughout his life. Such conceptualisation facilitates the build up of dual working partner investigation using live, longitudinal practical business development projects to produce tangible outputs for both parties - academic small business management knowledge for the researcher and world of academia and practical strategic development and associate knowledge and enhanced abilities for the owner manager.

**Key words:** SMALL BUSINESS; OWNER MANAGER; CONSTRUCTIVE ALTERNATIVISM; PERSONAL CONSTRUCT THEORY; STRATEGIC MANAGEMENT

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## **Chapter One: Introduction**

### **1. Introduction**

It is by now well-documented that small businesses are a major drive force which underpins and facilitates development and growth within any economy (Stanworth and Gray, 1990; OUBS 2011). And yet to succeed in achieving their aspirations new start-up and established growth-seeking small firms must strive to effectively operate within a world of paradox. On the one hand the forces of globalisation, technological advance and an ever-expanding consumer appetite for material possessions and quality services provides a demand driven context of opportunity for the astute, entrepreneur - be it the one man trader, the micro family business or the small enterprise constantly chasing growth. But on the other hand, such economic development is also ingrained with difficulties and constraint which impacts on small business capability to respond to that sea of opportunity - not least the might and ability of large national, international and multi-national organisations whose resourcefulness and access to the 'best brains', R&D and technological application reaches into every nook and cranny of market niche which the local small business seeks to serve; or the often erroneous manner in which the modern state and its financial institutions go about managing the economic complexities which pace and nature of advancement brings. Moreover, such 'external' opportunity-constraint paradox is paralleled by an 'internal' small business context paradox all of its own. On the one hand, the smallness of operation brings with it a number of potential benefits vis-a-vis the large company. But on the other hand, the small business has size-related problems and constraints that can confound attempts to exploit any bestowed 'smallness' advantages and as a totality restrain the small business in its efforts to seize opportunities that

are unfolding in its external operating environment and circumvent threats to its sustained development (Wyer, 1990; 2004; Smallbone and Wyer, 2012).

Such paradox raises the issue of how successful small businesses effectively manage their progression. Central to this issue is the process of strategic management. In short, the identification within the external environment of development opportunity and associate threat to the business, assessment of viability of that opportunity and the design and implementation of a programme of requisite actions to facilitate profitable realisation of that business development opportunity. A great deal of research has been conducted into such 'strategic management' process. The quality of that research, both in terms of process and findings is high. But much of that research is large company-oriented - and many dimensions or base parameters of that research is assumed to be of relevance to the small business. In response to this flimsy assumption a body of research is now unfolding in an attempt to provide rigorous insight into small business strategic management. Sound insight is resulting - but as yet the finer detail of such small business management forms is yet to be effectively revealed. The central focus of this study is the enhancement of understanding of what represents 'best practice' strategic management in successfully growing small businesses.

## **1.2 Background of the Problem**

The problem which this study addresses has twofold source. Firstly, academia's inability to date to produce a body of strategic management knowledge that is sufficiently rigorous and of relevance to adequately assist in leading small business management practice. And secondly, and intertwined in the first source, is a research process dilemma with regard to design and

development of a research approach capable of engaging in the often prolonged timeframe of strategy development and strategic management within a small business and the fine detail of management actions and activities that make up those processes - including ability to capture adequate understanding of the already past historical strategic development of the business, which at its very least provides 'understanding context' for the researcher's study of the 'now' of the business and its ongoing management.

**a) The Issue of 'Gap' in Existing Small Business Strategic Management Knowledge Base**

Research into strategic management to date certainly enhances our understanding enormously of how organisations identify and sustain competitive position in the marketplace over time. But that foundation of knowledge tends toward strands of insight rather than an integrated body of knowledge. Mintzberg, Ahkstrand and Lampel (1998, 2009) emphasise how to a great extent the strategic management knowledge base has come together over time in the form of different and complementary perspectives embedded in a variety of schools of thought, including industrial economics, learning, cognitive and entrepreneurial schools. As Mintzberg, et al put it, each school of thought makes significant contribution to understanding, each offering a grain of truth - but as yet we still do not have the full story as to just what the 'beast' of strategic management as a totality involves.

This study is able to take lead from the various dimensions of understanding provided by a number of the schools of thought. The rational long term planning school (for example, Lamb 1984) demonstrates the component activities that may well constitute strategic management: an initial auditing of external environment to reveal opportunities and threats; an internal audit



of the company to determine strengths and weaknesses; an integrated SWOT analysis to identify development opportunity; viability assessment to underpin strategic choice; and subsequent implementation of selected strategy - which would be subjected to periodic review.

But such prescribed step actions represent far too tidy and formal a management process - one which is unworkable in today's fast changing, highly uncertain environment. The rational planning school is weak in many of the assumptions upon which the management model is based - none more so than its requirement that an organisation will rely upon information from the recent past and present from which to select a strategic development path into a totally unknowable future (Stacey 1990).

Further guiding perspective is offered within the positioning school which incorporates seminal work such as that of Porter (1980) who prescribes strategic management as an analytical process with focus upon company assessment of competitive structure within its focal industry so as to reveal most appropriate and profitable market position. Certainly valuable insight, but the issue of company ability to adequately pre-analyse within a hostile contemporary and extremely complex environment is again raised here. Indeed, it can be further argued that Porter's Five Forces Analysis which takes centre stage in his theorising helps provide a 'point in time slice view of the environment' without capturing change and the dynamism of the environment - a significant snapshot but one cannot assume the landscape will standstill, thus limited as a predictive tool (Mintzberg 1994). Once again, therefore, offering important and useful insight, but once more with major bounds to application.

Of more utility is the learning school of strategic management thought - with origins in works such as Argyris (1976) and Schon (1983) and more recently within the context of the learning organisation with lead prescription from the likes of Senge (1990) - which sees strategy as being 'emerged' as the business learns it's way along as the only real way to cope with an uncertain environment and reveal sustainable development strategies. And great potential holds in the complementary potential of the cognitive school of strategic management thought which sees strategy formation as a mental process, taking place in the mind of the strategist and focussing among other issues on the ways in which information is processed.

That solid grains of truth have been unfolded into the various dimensions of strategy formation and strategic management was one of Mintzberg et al's (1998) key messages in his review of strategy research progress to date - and integral to this a parallel message of how the major strengths of these 'grains of truth perspectives' have yet to be effectively integrated into a guiding frame of insight 'strategic management whole'. For Wyer et al(2000; Wyer and Barrett 2003), however, there was further qualification: much of the body of knowledge which contributes to understanding strategic management (including that embedded within Mintzberg's ten schools of strategic management thought) is essentially about and intended for large companies. It thus fails to capture the unique problem-types of small business (Gibb 1990; Wyer 1990) and the informalities and idiosyncrasies (Carson 1991) of small business management. For Wyer (2000). There was, and indeed there still is, a need to ground the perspectives of the various schools of strategic management thought in understanding of the distinctiveness of small business.

This 'grounding' has been commenced by Wyer (2003) and others. But much work still needs to be done in determining the fine detail of, for example, how small businesses learn their way along and the ways mentally-held strategic assessment and strategising underpin sustained small firm development.

It is the intention of this study to enhance understanding as to just what effective strategic management entails in successfully developing and growing small businesses; including 'putting the flesh on what still remains the bare bones of insight' as to what forms of management activities, actions and abilities make up and contribute to the small firm strategy development and strategic management processes. Indeed, such dearth in understanding with regard to those management actions, activities and abilities which make up strategy process has unfolded as a central issue in large company-oriented strategy research. To such an extent that it has given birth to a new perspective which focuses on inherent weakness in strategy research to date whereby strategy process is treated as a 'black box' - that new perspective is 'strategy-as-practice'. For Jarzabkowski and Spee (2009) 'strategy-as-practice (s-as-p) as a research topic is concerned with the doing of strategy; who does it, what they do, how they do it, what they use and what implications this has for shaping strategy'. They emphasise that 'there appears to be little room in mainstream strategy research for living beings whose emotions, motivations and actions shape strategy'. And 'this marginalization of the actor has been attributed to the dominant micro-economic foundations of mainstream strategy research (Johnson et al, 2003)'. Jarzabkowski and Spee (2009) proceed to highlight how 'increasingly, therefore, strategy research has been influenced by wider concerns to humanize management and organization research by bringing the individual back in (Weick 1979; Whittington et al. 2002). The

developing field of s-as-p research has taken this concern seriously, bringing human actors and their actions and interactions to the centre stage of strategy research’.

Drawing on integrated perspectives offered by Jarzabkowski 2005; Jarzabkowski et al. 2007; Johnson et al, 2007; and Whittington 2006), Jarzabkowski and Spee (2009) capture how ‘the s-as-p field has defined its broad research parameters as studying: practitioners (those people who do the work of strategy); practices (the social, symbolic and material tools through which strategy work is done); and praxis (the flow of activity in which strategy is accomplished)’. Such are the outline parameters which constitute current understanding and integral ‘gap’ in knowledge and which guide and inform the focus within this study upon small business strategic management and integral strategy practices.

#### **(a) The Need for an Innovative Research Approach**

A significant contributory factor to the ongoing failure of researcher’s to adequately capture ‘flesh on the bones detail’ as to what strategy development and strategic management forms successfully growing small businesses adopt in practice is that of design, development and implementation of an appropriate research approach capable of unfolding requisite levels of insight and detail.

This is in part due to the nature of the research task and associated time and resource constraints which impact the researcher. Strategy development processes and the management practices actions and tasks which make up those processes usually take place or unfold over a considerable period of time, thus making the build up of detailed insight of these processes and practices a highly difficult task. Many researchers are bound by the time

constraints and requirements of their project funders or academic bodies which oversee studies such as this one. Even when timeframe is reasonably facilitating, obtaining and maintaining adequate periods of interaction with key small business actors remains problematic.

The danger therefore is that the small business management process researcher embraces a research approach which succumbs to shortcomings and pitfalls inherent to management research, thereby reducing ability to unfold required fine detail insight. Such shortcomings and pitfalls have been flagged up over the years and still endure as potential obstacles which constrain depth of research investigation. These pitfalls include the undertaking of study which adopts a static, single slice, a historic focus in the build up of understanding of the participant small business firm. For Kimberly, et al (1980) a static quality of data derives from researcher involvement at a particular point in time and thus fails to capture the dynamic process of business development over time.

Moreover, many studies commence from a researcher start point of inadequate foundation knowledge base in the area of investigation (Archer 1988). An associate danger is that much research can be ad hoc and fragmented (Whitley 1984) rather than building adequately out of the body of current understanding. And for Gibb (2000) and Wyer and Barrett (2004) the tendency to utilise research paradigms from narrow academic disciplines thereby orienting toward a single discipline focus is particularly detrimental to the build up of depth of understanding of small business development.

These and other shortcomings and pitfalls relating to management research are considered in more detail in the main body of this study and in their totality direct one to the need for very careful design and development of a creative research methodology capable of circumventing those shortfalls in a manner which facilitates the unfolding of real depth of understanding of small business strategic management processes and practices

### **1.3 Statement of the Problem**

From the research deficiency contexts considered above the research 'problem' areas can be stated as twofold and intertwined in summary form as follows. Firstly, the modern-day small business operates within a highly uncertain and predominantly unknowable external environment. To survive and grow it must identify viable market niches vis-a-vis its competitors and be able to progressively adjust its strategic position and focus commensurate with expected and unexpected changes within its external operating environment. Such development activity requires sound strategic management capability. The existing strategic management knowledge base embedded within the literature offers very solid pockets of understanding - but as yet it does not provide a consolidated body of insight which adequately portrays all dimensions of strategic management as a 'strategic management whole'. Moreover, much of this existing knowledge base is large company oriented and does not capture the distinctiveness of small business. A particular deficiency in the large company strategic management research to date is its significant focus on strategy process as a 'black box', with inadequate attention to strategy as practice: the doing of strategy, who does it, what they do, how they do it, what they use and what implications this has for shaping strategy. Such a void in 'strategy as practice' understanding is of particular significance within the small

business strategic management context where the owner manager is often the pivotal individual within the organisation and thus whose emotions, motivations and actions shape strategy.

The research focus within this study is toward the addressing of this deficiency context, this 'gap in knowledge'. The study aims to enhance understanding of small business strategy development and strategic management processes - but by getting further into the current 'black box' of process to reveal depth of insight into small business 'strategy as practice', including owner manager and other key staff abilities, actions, motivations and emotions which impact and shape small firm strategy.

And to do this the study will address the other intertwined dimension of problem context which encompasses the research (what effectively also represents a current and ongoing 'gap in knowledge'): the need for creative design and development of research approach to facilitate such small business strategic management study. The approach builds out of perspective demonstrated by Archer (1988) and Wyer (1990) that there is an intertwined, glove tight relationship between management knowledge and the mode of investigation that unfolds that management knowledge. Development of an innovative qualitative research methodology is thus promoted to status of key sub-objective of this study. That research methodology is summarised in the next section and elaborated fully within Chapter 3.

#### **1.4 Summary of the Research Methodology**

The design and development of the research methodology responds to the complex research task of building up in-depth, processual insight of small business development and the need to

circumvent other potential shortcomings and pitfalls associated with many attempts at small business management research.

The addressing of issues of facilitating closeness and continuity of interface with participant small businesses and their key informant owner managers and staff and over an adequate period of 'strategic development time' are crucial. To effectively accommodate this potentially limiting context the study adopts an action research form of methodology in which this academic researcher combines his small business management support (consultant) experience and abilities and his academic management educator capability to undertake 'partnership working' with two small business owner managers on long term strategic development projects aimed at facilitating ongoing growth of the business.

The issues of closeness and time period are thus addressed, circumventing the limitations associated with static, single time slice research investigation and capturing the dynamism of the small firm's development. Potential resource constraints which are normally associated with small business utilisation of such support are reduced as the projects undertaken within the study are in part externally funded.

The action research mode of investigation produces dual outputs, effectively fulfilling intertwined social and academic knowledge objectives: a small business development output and a management knowledge development output. Integral to the academic output is a descriptive analysis documented case study of each participant business and innovative conceptualisation of small business strategic management process, sub-processes and strategy as practice actions and abilities which drive shape and drive those processes. The small business



development output comprises: an in depth strategic position audit, identification of potential future strategic development strands, a summary owner manager-guiding 'strategic development frame' and assistance with implementation or part-implementation of the identified strategic development opportunities.

For O'Brien (2001) action research, succinctly put, is 'learning by doing' where two or more people identify a problem, take action to resolve that problem, reflect on how successful their attempts have been, and if not satisfied with the outcome try again. He captures a finer detailing of other key attributes that differentiate action research from common everyday life problem-solving activities in the following definition:

"Action research...aims to contribute both to the practical concerns of people in an immediate problematic situation and to further the goals of social science simultaneously. Thus, there is a dual commitment in action research to study a system and concurrently to collaborate with members of the system in changing it in what is together regarded as a desirable direction. Accomplishing this twin goal requires the active collaboration of researcher and client, and thus it stresses the importance of co-learning as a primary aspect of the research process" (O'Brien 2001)

O'Brien underlines that 'what separates this type of research from general professional practices, consulting, or daily problem-solving is the emphasis on scientific study'. The action researcher studies the problem systematically and utilises theoretical considerations to inform the research intervention. For O'Brien, 'much of the researcher's time is spent on refining the

methodological tools to suit the exigencies of the situation, and on collecting, analyzing, and presenting data on an ongoing, cyclical basis’.

Action research is thus distinct from other modes of research in terms of the collaborative researcher role afforded to all project participants – all participants are working together and learning by doing; the project is problem-solving oriented within a real world context; the project produces dual outputs in the form of a ‘solved problem’ (a social output) and enhancement of life knowledge associated with the problem-solving process (a scientific or academic output); and the research process is not boxed in by expectations of objectivity, rather it is inter-subjective in form.

Integral to action research is an ongoing transformational cycle of theory informing practice whose outcomes facilitate refinement of the theory - which in turn can more effectively inform practice (Winter 1989). This of course parallels the perspective of personal construct theory (Kelly 1955) which drives this study - and which essentially posits the action research of this investigation as the cooperative and collaborative development, testing out by action, and confirmation/disconfirmation of the personal constructs of the ‘partnership working’, ‘man the scientist’ researcher and participant small business owner manager.

As an approximation, this study could be said to sit within the traditional school of action research whose origins rest in Lewin’s (1946) conceptualisation of strong relationship between the motivation to change and action - which enveloped change in a three step process of: unfreezing currently disconfirmed perspectives; diagnosis of the situation and developing and testing of new models of behavior; and refreezing as the newly applied behavior is assessed

and confirmed as appropriate. Thus, action research is a cyclical process of change. However, in that this study also involves the lead researcher in his professional educator role crossing into community problem-solving and that such crossover will produce, at least in part, business education learning/curriculum development oriented research outputs, it can also be said to have more than a flavour of that stream of study now categorized as 'educational action research' and whose origins lay in the work of Dewey (1946). As the work of such as Young, Rapp and Murphy (2010) emphasizes, educational action research is an appropriate paradigm for improving everyday classroom practice. Business educators work in their own environments, with their own students, implementing their own pedagogies with the challenge and responsibility to improve their own teaching and learning. In the main such research is indeed educational institution based: Mohani and Molki (2012) emphasise how action research 'has become a term that is often discussed amongst practitioners in educational settings' and McNiff and Whitehead (2010) present educational action research 'as a method of research and inquiry practiced mostly by educators and practitioners in educational institutions'.

Whilst this study does not of course sit in such a classroom-based action research 'laboratory', it does have two business educator educational action research dimensions: firstly, it's action research objective of helping it's 'co-researcher owner manager' in learning his way along in strategic development problem-solving and opportunity development in many ways approximates a parallel teacher-learner situation (in fact with the co-researchers [lead researcher and owner manager] alternating the teacher-learner roles as the project progresses); and secondly, the academic outputs component of the completed study will be in the form of small business development knowledge (new concepts, low level theory and case

studies) which will ultimately be used as knowledge base for the researcher's university-based curriculum, teaching methods, content and materials development - some of which will in turn also form the focus of mainstream educational action research with regard to its ongoing development testing, evaluation and refinement in the researcher's undergraduate and postgraduate small business management/entrepreneurship education classes and programmes. To this extent, this research represents a hybrid of traditional action research and educational action research - on the one hand the small business is itself the business education action research setting; and on the other hand the traditional action research project academic strand of outputs lend themselves as a first stage input to subsequent educational action research by this researcher when back in his teaching environment.

Understanding of the true longitudinal nature of this study is captured through reflection on: (a) both sets of partnership working commenced with scoping meetings at the end of 2008 early-2009 and rolled to first project end date early 2010; (b) in both businesses continuity of 'partnership working' was maintained through the uptake of a second follow-on project, facilitated under a separate funded programme building out of the knowledge base and stage of business development produced within project one; (c) the development relationship still remains in place at time of write-up of this thesis, with the research projects focal to this study continuing to 2013 and 2014 in the respective participant small firms.

The outline research approach is one of contextual, multi-level analysis. In short, initial historical context analysis is first conducted through partnership working with the owner manager: build up of understanding of how the business has strategically developed to date is

pieced together through interface with the owner manager and key staff, through observation and through analysis of available secondary documentation. The historical development analysis is then used as context for the conducting of an in-depth strategic position audit and analysis of where the business currently sits within its external environment and, together with assessment of the businesses resource and abilities capability and the owner manager's preferences and aspirations, a full contextual analysis is completed to reveal potential strategic development opportunities which the owner manger may choose to pursue. The penultimate component of the 'partnership working' is design and compilation of a 'strategic development frame' to inform and guide the owner manager in implementation of the selected development paths. The final element of the project is assisting the owner manager in implementation or part implementation of the identified strategic development paths. Approach to both 'strategic development frame' design and implementation activity are founded on 'build out' and 'build onto' the best practice components of owner manager strategy development and strategic management identified within the project investigation and supplemented or firmed up with further dimensions of 'best strategic management practice' experienced by this researcher in past working partnerships with small business owner managers and/or as embedded within the existing literature.

Integral to this contextual, multi level analysis-based approach is an innovative academically rigorous all-embracing use of theory to facilitate the unfolding of practical understanding and knowledge capable of informing sustained small business development - and in a manner which can facilitate further analysis, synthesis and use of that strategic development knowledge and 'good strategic management practice', and production of enhanced conceptualisation of small

business strategic management beyond what is currently within the existing academic literature-based insight. That base facilitating theory which drives the study is a version of Kelly's (1955) Personal Construct Theory (PCT).

In brief, PCT positions we as individuals as 'man the scientist'. We all, from our past experiences and responsibilities, form our own personal theories of our world and its parts - our own personal constructs. And we use these constructs to inform our behaviour in a given situation. This study thus posits and treats both the researcher and the researched (the owner manager in his business) as the same 'man the scientist' animal - who will be unable to touch the reality of his world through absolute construction of that reality: but instead progress through life compiling his personal constructs as approximation of his world and parts thereof and constantly looking to better that construction into a better working model to more adequately inform his future behaviour. Thus both the researcher and the researched (the owner manager) proceed through approximation - re-approximation of their personal constructs of life and its realities. As such the build up of understanding of the participant small businesses is derived out of the owner manager and researcher 'partnership working' to build workable views and understanding of the target small business through the 'trying on for size' of each other's personal constructs - and, through the duration of the project, from further insight and understanding revealed by the researcher's strategic development analysis of the business from consideration of the personal construct knowledge and understanding of other key informants (such as industry sub-sector specialists; economy analysts; the perspectives of competitors and customers – such key informant insight deriving from both face-to-face interaction and from understanding embedded in the written-documented expert source). Personal construct theory

thus facilitates build up of understanding of the historical development and current strategic position of the participant small business and of potential stands of future strategic development. It also provides the theoretical base to facilitate explanation of how owner managers behave and why they so behave in building understanding of their uncertain external environment and unfolding innovative strands of strategic business development.

The fine detail of the research methodology is presented in chapter three.

### **1.5 Study Aims and Sub-objectives**

The aims and sub-objectives of the study are as follows:

*Overall Aims of the Study:*

*Academic aim:*

To critically examine and enhance understanding of strategic development processes and strategic management within growth-oriented small businesses

*Small business practice aim:*

To anchor-in existing, and where appropriate develop new, academic and world of practice understanding of small business management to facilitate consolidation and ongoing sustained strategic development of the small businesses participant to the study

*Integral Sub-objectives:*

- To develop and design an innovative action research-based case study methodology convivial to the production of parallel practical and academic small business strategic

management research and business development outputs [thereby facilitating advances in small business management knowledge and small business management practice which are capable of further advances -and advances in research skill knowledge which provides the tools to achieve that further advance in small business management knowledge and practice]

- To undertake critical strategic development analysis of participant small businesses, identify potential strategic development paths available to those businesses and produce and, where appropriate, assist implementation of strategic and operational plans of owner manager (from the identified strategic development path options) selected development paths
- To critically examine the nature and form of strategy development processes in growth-achieving micro and small businesses
- To identify and analyse those management practices and actions, learning processes and activities, and individual abilities and behaviours which constitute micro and small business strategic development processes (i.e.: integral 'strategy as practice' components of the relatively 'black box' of strategy process) [with specific focus on the participant small firms]



- To elaborate a model to inform effective strategy development and strategic management practice for entrepreneurial growth-seeking micro and small businesses – incorporating alternative and new small business management processes and actions conceptualization and low level theory convivial to leading small business practice, and to enhancement of existing academic small business knowledge bases

### **1.6 Significance of the Study**

The study has two-pronged significance: with regard to small business support and with regard to development of small business management knowledge.

The business support component of this study provides the participant owner managers with enhanced and refined understanding of the current strategic position of their business, including the nature of the environment, key change forces and pending change forces and the implications for the business. They also have a summary vehicle in the form of a ‘strategic development frame’ which encapsulates the strategic position of the business, potential future development paths and requisite management activities to implement the development frame. Moreover, implementation support has been provided with regard to parts of the development paths and continues to be offered.

In hard business development terms, the participant businesses are at an enhanced state of strategic development and growth, including core business activities and associate increased sales and profitability.

Moreover, in practical strategic management terms the owner managers have detailed insight to what constituted ‘own best practices’ in their successful development of the business to date

- and further enhancement of 'best practice capability' from the perspectives brought to them during this investigation process.

With regard to academic knowledge development the study makes significant contribution summarised as follows:

A rigorous qualitative research methodology which circumvents key shortcomings and pitfalls inherent in small business management research and which has application in action research and case study modes of research investigation

Building on foundations of personal construct theory, a practice-informing conceptualization of small business strategic management and strategy development processes

'Strategy-as-practice' understanding of the key people involved in shaping strategy, what they do and how they do it: people, key abilities, management and learning actions and activities.

Re-conceptualization of small business in terms of the particular 'make-up' of a small business: including actual and potential benefits of smallness; size-related actual and potential problem types; idiosyncratic and informal management processes - as starting base for managing progression and/or provision of support effort .

PCT-based conceptualisation of the owner manager 'creativity-to- innovation' strategic learning and development cycle - incorporating the key role of emotions and emotional competencies

Conceptualisation of the potential to utilise owner manager and key staff emotional competences as significant vehicle for circumventing or offsetting resource-poverty and ability constraints which perpetuate small business achievement of survival and attempts at growth

An 'informing framework' small business strategic management process for guiding small firm nurturing of effective strategic management: for use by owner managers and support providers, including policy makers in creation of small business support programmes

A set of 'interpretative frames of reference' relating to component parts of small business strategic development and management which owner managers can 'try on for size' as aid in challenging their own personal constructs – and thereby facilitate and nurture processes of owner manager self development (self management development as progressive personal construct enhancement)

### **1.7 Scope and Limitations-Delimitations of the Study**

The investigation was conducted with dual purpose: to provide strategic development support to growth-seeking small businesses and to enhance understanding of the nature and form of small business strategic development and strategic management processes.

The subject matter was the strategic development of small firms and the particular aspects studied were strategy development and management processes and the 'strategy as practice' actions, activities, behaviour and abilities that make up those processes.

The potential universe from which the participant small businesses were selected was owner managed small businesses which are oriented to growth and already demonstrating achievement of growth. The actual universe utilised was growth achieving small businesses electing to participate in funded small business support programmes - the rationale here is that small firms wishing to participate in such support provision are likely to be positive,

development seeking businesses who are demonstrating relative success to date and striving to continue progressing in that vein.

The locale of the study was within growth-achieving small businesses in a London-based operating environment.

The period of study contact with the participant small businesses spanned 2008 through to 2014.

## **1.8 Definition of Terms**

### **(a) Small Business**

For the purpose of this investigation, small business refers to any business whose organisation and decision-making lies predominantly in the hands of the owner manager; and whose employee base falls within the bounds of the EU defining parameters of: micro business 1-9 employees; small business 10-49 employees

### **(b) Researcher**

The researcher conducting his study (i.e.: myself) is in the main addressed as 'the researcher' within the study - but given his cross academia- small business development consultant/advisor work status is variously referred to as: 'academic researcher'; 'researcher-support provider'; 'researcher-consultant'; and 'entrepreneurial academic'

### **(c) Strategic Management**

Meaning attached to 'strategy', 'strategy development', 'strategy formation' and 'strategic management' is often embedded in interchange in use of these terms. Within this study

treatment and use of these concepts takes its lead from the work of Johnson and Scholes (2010): 'Strategy is the direction and scope of an organisation over the long term which achieves advantage through its configuration of resources within a challenging environment to meet the needs of markets and to fulfil stakeholders' expectations'. Arguably such couching is of large company orientation but partially informs this study in its treating of small business strategy development and associate management processes that unfold that strategy development as: those owner manager actions and processes which help him identify guiding frames of insight as to where he feels the business is trying to get to into the long term (direction); which markets the business should be competing in and what kind of activities and product-service provision the firm should be undertaking to effectively serve those markets (scope and markets); and how the business can sustain development in those markets in the face of competition (competitive positioning). Integral to these small business strategy development processes is ongoing consideration of resource capability and future resource requirements; owner manager and workforce abilities and ability shortfalls and what external environment factors and forces currently and may in the future have enabling or constraining implications for the business. The managing of this interrelated 'compendium' of issues, tasks and processes represents a start-point approximation for this study of what constitutes small business strategic management. In the spirit of the theory upon which the research approach to this study is based, that approximation (researcher start-point personal construct) holds itself up to successive approximation and re-approximation throughout the study.

## **1.9 Chapter Summary**

This chapter introduces and provides background to the study. This context is used to elaborate the study focus, overall aim and sub objectives, and need for a creative research approach to facilitate the effective fulfilling of those objectives. The study's response to this creative research process requirement is presented through outline summary of the innovative action research personal construct theory-based research methodology which has been developed to facilitate the investigation. Significance of the study is highlighted, in terms of contribution to both small business management practice and to academic knowledge development. The chapter concludes by making explicit the scope of the investigation, associate limitations and underlying assumptions together with definition of key terms.

### **1.9.1- Structure of the Thesis:**

The thesis in its totality is structured as follows:

*Chapter one* (this chapter) introduces the study.

*Chapter two* presents the literature review which constructively critiques relevant areas of the literature and teases out 'partial frames' of key guiding insight unfolded by the review and embeds them into an end-of- review conceptual framework. The underlying process in its totality is one of 'epistemological bootstrapping' (Archer, 1988; Wyer 1990; Wyer, Choong and Barrett, 2003) whereby the relevant areas of the literature are reviewed, interpreted and synthesised utilising existing small business development experience of the researcher and early days interface with the world of small business practice as interpretative frames of reference. And resultant relevant partial frames of insight are integrated into a conceptual

frame work - an 'epistemological bootstrap' which is used to firm initial semi-couched study objectives and inform the approach to the empirical component of the study.

*Chapter three* draws on the conceptual framework to elaborate action research mode of research methodology.

*Chapters four and five* present the empirical findings of the study with regard to Hoxton Beach (chapter four) and The Family Law Practice (chapter five) participant small businesses. The approach is one of presentation of each business in descriptive analysis followed by detailed focus on and analysis of what constitutes strategic management in each business.

*Chapter six* integrates and synthesises key strands of strategic management insight and perspectives revealed in the project investigations and in relevant areas of the existing literature to capture what constitutes 'good small business strategic management practices'. The resultant knowledge base in its totality is then utilised to design and develop innovative conceptualisation of small business strategy development and strategic management processes - modelled firstly as guiding diagrammatic framework encompassing key parameters of effective strategic management , effectively an owner manager and support provider guide to achieving 'good strategic management'; and secondly as 'detailed strategic management process in practice' – a modelling which puts' flesh on the bones' of the guiding parameters model, with attention to the forms of good small business management and learning actions and practices which make up and drive effective small firm strategic management.

*Chapter seven* concludes the study through synthesis of the empirical findings of the study in the context of the research objectives, consideration of the theoretical and practical implications of the study and recommendations for future research.



## **CHAPTER 2 LITERATURE REVIEW: Small Firms Strategy and Development**

### **2.1 Introduction**

This chapter presents the literature review which underpins the study. The review is an integral part of an epistemological bootstrapping process (Archer 1988; Wyer 1990; 2002 and ongoing) which informs the research process. The bootstrapping process and its role is explained in detail in the research methodology chapter but in summary involves the teasing out of partial frames of guiding insight from relevant areas of the existing literature and the embedding of those 'partial frames' into an end of review conceptual framework. The conceptual framework is then used to firm up the at this stage semi-finalised study objectives, raise key issues for research and study investigation and part facilitate design and development of a research methodology convivial to fulfilling of the research objectives .

The epistemological bootstrapping process, as well as drawing upon the existing literature based insight, draws in the existing small business development experience of the researcher and early initial interface with the world of small business practice to assist in researcher interpretation and critique of the literature - to this extent the literature is extended to a form of 'field review'.

This bootstrapping process-driven literature review commences with consideration of the small busies literature, focusing on the dynamics of the small firm environment and characteristics of the owner manager before critiquing the various perspective s on small business growth.

The strategy literature is then critiqued through consideration of the various schools of strategic management thought, the essentially large company orientation of this strategy knowledge base and the need for and potential to ground that knowledge base in depth of understanding of the distinctiveness of small business.

The potential utility of the entrepreneurial marketing base of knowledge in informing this study is then assessed before proceeding to literature strands which highlight the 'learning ones way along' orientation of small business development.

The nature and potential of personal construct theory (PCT) as key facilitator to this action research study is given focus and extended into the context of with wider entrepreneurial and organisational learning literature.

Finally, the role of emotions and emotional intelligence in owner manager and entrepreneurial learning and development is identified, and particular attention is given to the concept of emotional competences in entrepreneur and owner manager learning.

### **2.1.2 Definition of the Small Medium Enterprise (SME) sector**

The definition of what firms are in the SME sector can incorporate various subjective descriptions depending on the diversity of the business and its size relative to the market sector. A small business in a given sector may be classified as small due to the number of employees or the number of competitors; whereas in another sector a similar size firm with fewer competitors may well be classified as a large firm in. Therefore, there is no single

definition of a small firm because of the wide diversity of businesses. Various bodies have laid down similar definitions from the Bolton report of 1971 to the European Union in 1997.

Section 248 of the Companies Act of 1985 states that a company is small if it satisfied at least two of the following criteria:

- ® Turnover of not more than £2.8 million
- ® Balance sheet total of not more than £1.4 million;
- ® Not more than 50 employees

A medium sized company must satisfy at least two of the following criteria:

- ® Turnover of not more than £11.2 million;
- ® Balance sheet total of not more than £5.6million;
- ® Not more than 250 employees

For statistical purposes, the department of Trade and Industry usually uses the

Following EU-based definitions:

Micro firm: 0-9 employees

® Small firm: 0-49 employees (includes micro)

® Medium firm: 50-249 employees

® Large firm: over 250 employees

In research practice, projects adopt a variety of working definitions depending on their particular objectives. The focus of this research will fall under the above parameters of micro and small firm employee numbers. However, it can be argued that the employee numbers in relation to turnover and balance sheet limits are outdated, considering the advancement of new technology and the automation of many labour intensive processes a re- assessment in today's terms is overdue.

## **2.2 The Dynamics of the Small Firm Environment**

The dynamics of the small firm sector are unique and distinctive; a small firm cannot be viewed as a smaller version of a large organisation with regard to structures, resources, management activities and processes (Storey 1994; Curran and Blackburn 2001; Wyer et al 2010).

Entrepreneurial activities of owner managers; risk taking, informality, flexibility and a day-to-day responsiveness toward their business environment may be required for just survival, this leads away from a formal planning culture (Wyer and Mason 1998). Schollhammer and Kuriloff (1979) summarised the distinctive properties of how small firms differ from large firms in terms of five broad attributes:

**Scope of Operations:** Small firms serve a predominantly local or regional market rather than a national or international market.

**Scale of Operations:** Small firms tend to have a limited share of a given market; they are relatively small in a given industry.

**Ownership:** The equity of small firms is owned by one person, or at most very few people. Small firms tend to be managed directly by their owner or owners.

**Independence:** Small firms are independent in the sense that they are not part of a complex enterprise system, such as, a small division of a large enterprise.

Independence also means that the firm's owner managers have the ultimate authority and control over the business, even though their freedom may be constrained by obligations to financial institutions.

**Management Style:** Small firms are managed in a personalised fashion. Managers of small firms tend to know all the employees personally and they participate in all aspects of managing the business. Generally, there is no sharing of the decision making process.

Because of these attributes small firms may have the advantages of greater flexibility, speed and advantage-seeking behaviour (Chisnall 1987). However, the resource constraints and capability limitations common to smaller firms present them with challenges that must be overcome (Karagozoglu and Lindell 1998; Box 2011). Financially there are problems raising and using finance, and with obtaining and applying information on costs and control (Ekanem and Smallborne 2010). Also, a lack of management skills, lack of training and expertise, can be barriers and hurdles that the small business owner has to contend with and overcome. They are often unable to draw on the same range of experience and skills within their own business as larger organisations (Gray 1998; Freel 2000; Wyer et al 2010; Wright and Stiglini 2013). Thus, the distinctiveness of the small firm context relates to the potential advantages of exploiting their smallness of operation (vis-a-vis larger firms) and at the same time facing unique problem-

type situations underpinned by size-related constraints and owner manager-related characteristics (Wyer et al 2003; Smallbone and Wyer 2006). Integral to understanding of the distinctiveness of the small firm operating context is the limited ability of the small firm to shape their external environment, such as, in developing relationships with customers in building brands, and with their lack of influence on capital and labour markets (Smallbone and Wyer 1999; Storey 2008). As a result, owner managers are frequently facing environments characterised by high levels of uncertainty and unfolding change (Zampetakis et al 2008; York and Venkataraman 2010; McKelvie et al 2012; Wright and Siglini 2013). To capture the real degree of complexity associated with the small business management tasks and learning processes in identifying, understanding and acting upon this unfolding change context, Stacy's (1990) categorisation of different change situations reveals in more depth the level of difficulty facing the small business.

Such a categorisation distinguishes between;

- i)-closed-change situations whereby the timing and consequence of events can be predicted in the short run;
- ii) Contained change situations whereby repetitions of the past provide the foundations for projection and can be underpinned by statistical analysis;
- iii) Open-ended change situations whereby the timing and consequences of a changing situation are totally unknowable and unpredictable (Stacy 1990; Wyer et al 2010; McKelvie et al 2012).

Thus, the external operating environment of small firms can be predominantly conceptualised as dynamic, fast changing and complex, falling into the latter category above (Donohoe and Wyer 2005; Mullen and Sheppard 2006; Wyer et al 2010).

### **2.3 Characteristics of the Owner Manager Entrepreneur**

One of the distinguishing characteristics of small firms compared with large firms is the close correspondence between ownership and management. The characteristics of the individuals who start and run small firms can potentially have a significant impact and play a pivotal role towards the survival and the future development path of the firm (Deakins and Freel 2010; Wright and Siglini 2013).

The start- up phase in the micro SME sector is viewed as the entrepreneurial stage of the small firm life cycle (Hattern 1997). This is where the owner manager and entrepreneur are often synonymous. The term entrepreneur has numerous definitions and is often used interchangeably with the label owner manager within the literature - but is all owner managers entrepreneurial; to what degree can the entrepreneurial process develop into a small business management process? To answer these questions one can define the process of risk taking and the willingness to put ownership to your ideas and business decisions as an entrepreneurial event (Hattern 1997). Therefore, there is a close inclusive relationship with entrepreneurship and the small business sector, both are inexplicably linked, as the small business is the vehicle for entrepreneurs to realise their goals, and bring innovation and creativity to life (Blackburn and Smallbone 2008).

Entrepreneurs are creative innovators of industry and catalysts of economic change (Schumpeter 1934). They can be defined as risk takers, who deal with uncertainty in pursuing and exploiting opportunities (Shane and Venkataraman 2000; Saraasvathy and Venkataraman 2009). An entrepreneur can also be viewed as an individual who has an intention to develop and grow a business through their management and leadership skills to reach a desired goal (Storey 1994; Gray 2002; SBS 2002; Higgins 2010). Thus, the field of small business is close to entrepreneurship in that it recognises the importance of the owner manager in attempting to understand and explain small business performance and growth (Bruyat and Julien 2000; Blackburn and Smallborne 2008).

One of the distinguishing characteristics of small firms compared with large firms is the close correspondence between ownership and management. The characteristics of the individuals who start and run small firms have potentially a significant influence on their organisational culture (Smallbone and Wyr 2000; Blackburn and Smallborne 2008; Higgins and Aspinall 2009). Research has focused on the role of the owner manager's characteristics and personality impacting on small firm growth (Chell et al 1991; Hill, 2001; McCarthy 2003). The potential influence of attitude to risk (Knight 1921), and an emphasis placed on personal autonomy and managerial competencies were highlighted, particularly in relation to strategic management skills (Box 2011). Whilst such factors can affect the performance and growth in a number of ways, some researchers have attempted to profile the entrepreneur's personality traits to predict business success (Linstead et al 2004; Zampetakis et al 2008).



Such traits include, drive, desire to lead, self-confidence, honesty, trust, and above average intelligence (Storey, 1994; Zampetakis, 2008; Foo 2010). However, this trait approach ignores the ability of individuals to learn and change over time, or indeed their motivation (Gibb 2000; Smallbone and Wyer 2000; Salovey et al 2012). For example, an owner manager's motivation for expanding a business may decline once they have achieved what they consider being a satisfactory level of income from the enterprise, or their personal or family circumstances change as they grow older. In this context Chell and Haworth (1992), have pointed out to an association between the age and experience of the entrepreneur, along with the stage of development that the business has reached (Bonte 2009).

Storey (1994, 2011) places more emphasis on an entrepreneur's characteristics which influence access to resources rather than personality impacting on business performance. These characteristics include educational background and qualifications, which can affect both the management resource base and the motivation of the entrepreneur for developing the business, underpinned by the higher earnings expectations of more educated business owners. There is no guarantee that educational qualifications lead to business success. Storey (1994) suggests that their role is likely to vary between sectors, higher in technology and knowledge based sectors and lower in more traditional and craft based sectors. Other personal characteristics of entrepreneurs include their previous management and entrepreneurial experience (if any) prior to establishing the enterprise, their family history, their functional skills and previous training, and any previous knowledge and experience of the sector in which the business has been established (Freel and Deakins 2003; Storey 2008). A key enabling factor is the ability of the entrepreneur to learn and build up management knowledge and skills which

evolve as the firm goes through different stages of growth, within the predominantly open-ended change, unknowable and unpredictable operating context (Stacey 1990; Carson 1995; Wyer and Barret 2004; Wyer et al 2010; Wright and Siglini 2013).

## **2.4 Small Business Growth**

Small business growth may be viewed in terms of an increase in the number of employees, a growth criteria frequently used in much of the small business literature (Storey 1994; 2003; Deakins and Freel 2003; Wright and Siglini 2013). Government policy tends to underpin the growth criteria of small firms by focusing on the small firm as a vehicle for employment generation (Audretsch and Link 2012). Although with the application of new technology growth may unfold in a manner which sees little increase or even a reduction in workforce numbers (Donohoe and Wyer 2005). For many entrepreneurs an important growth factor relates to an increase in sales turnover and a return on the investment that underpinned that sales growth.

Some owner managers may view growth and development in terms of launching and developing new products or processes, and/or effectively developing and distributing products into export markets. However, according to Gray (1998), few small firms and even fewer self-employed are seriously interested in growth; their primary motives are not financial but to retain their autonomy and independence. For many owner managers the responsibility of taking on increasing numbers of staff and the requisite financial resources and organisational capabilities to cater for such growth is viewed as a negative prospect, as this potentially impacts on their desired lifestyle, which may have underpinned the motivation to start the business in the first place (Donohoe and Wyer2005).

Finally, owner manager's motivations for running a business do change over time (Gray 1998). The growth motivation of an individual in a small firm can vary at different stages of business development, as well as responses to changes in external factors (Smallbone and Wyr 2000; 2006).

Small business growth is dynamic and complex. Research focused on various multi-level perspectives facilitates an understanding of the small business growth context. As highlighted in Donohoe and Wyr (2005); Gibb and Davies (1990) identified four main groupings of theoretical approaches to small business growth: *'Organisational' oriented*; *'Personality dominated'*; *'Business management approach'*; *'Sectoral and broader market led approach'*

The 'Organisational' oriented approach views small business growth as a process in terms of an organisational life cycle or stages of growth model that emphasises the development sequence of a firm as it passes through a series of stages at different points in its so-called life cycle (Levie and Lichtenstein 2010). This is based on the premise, that if every product or service faces a life cycle, then so does every business (Gibb and Davis 1990). Therefore, there is a sound case for conceptualising small business growth in the form of an organisational life cycle or stages of development (Greiner, 1972; Churchill and Lewis 1983; Scott and Bruce 1987; Famholtz 1990; Levie and Lichtenstein 2010),

The start-up phase is viewed as the entrepreneurial stage of the small firm life cycle (Hattern, 1997; Mitchelmore and Rowley 2009). Hattern (1997), views the small business life cycle process as six distinct phases, the first three being the entrepreneurial side and the second three being the small business management phase.

The entrepreneurial process begins with an innovative idea for a new product, service or process, this is developed and refined by the individual concerned, as he or she conceptualises their thoughts (Hattern 1997). This is a creative process as one cultivates the idea upon which feedback can be sort from personal and business network contacts (Hattern, 1997; Higgins 2009).

It is proposed in this research, that underpinning this actual process is an individual's personal constructs (Kelly 1955,1971), his own frames of reference or 'world views' - in the context of this study, owner managers progressive construing and re-construing of their personal constructs of their business and environment, is seen as potentially facilitating unfolding understanding of business development opportunity. For example, owner manager interaction with key informants provides potential alternative frames of reference, 'world views' which may challenge the owner manager's existing frames of reference 'world views' as to an external change situation (Kelly 1955,1971; Wyer et al 2010). This learning and development process can act as an informing vehicle in the development of new frames of reference (constructs) to be explored in exploiting the business opportunity - and of course relates to the would-be owner manager at pre-start and during subsequent start-up and ongoing business development stages of business activity (theoretical underpinnings in this respect are elaborated in Chapter 3).

The pre-start-up process can go on for several weeks or months, or even longer, and is an area of limited insight in the entrepreneurial literature. The literature tends to be descriptive regarding the push and pull motivations of start-up, ignoring the dynamics of the entrepreneurial 'mind-set' process (Birley and Westhead 1994; Zampetakis 2008), including

would-be owner manager learning processes and activities. Before the potential entrepreneur moves to the actual implementation phase of the business there is a facilitating mechanism known as a triggering event (Hattern 1997; Brown and Mawson, 2013). This process gets the wheels in motion from thinking to doing, it may be from a feeling of frustration in a present career, or even a loss of a job, or finances have been secured to underpin the venture (Birley and Westhead 2004; Hattern, 2007). Whatever the reason, or motivation, this is where the business starts to come to life.

The next phase is the implementation stage, the business is now formed, this is classified as the entrepreneurial event in this process (Hattern, 2007). The commitment to bring an idea to life is a key element in entrepreneurial behaviour of individuals (Hattern 1997). At the growth stage of the small firm's development it is argued that more formal and analytical management skills are required to develop and sustain growth within the business environment (Churchill and Lewis 1983; Hattern 1997, Thompson and Gray, 1999; Mitchelmore and Rowley 2009).

Crucially, an entrepreneur's motivation and ability to adapt and evolve in parallel with this growth development stage will potentially influence the sustainability of the firm, and the potential to develop toward the next stage of the organisational life cycle model (Carson 1995; Cope 2007). Integral, is a strategic awareness capability to identify market opportunities within this change context, and an ability to determine relevant internal adjustments in order to build on external opportunities (Hill, 2001; Smallbone and Wyr 2000; Wyr et al 2010). Key enabling forces potentially facilitating growth are the anchoring in of new technology, and/or access to

external resources, such as finance to the existing capability (Smallbone and Wyr 2000; Storey, 2003; Brown and Mawson 2013).

A phase of market maturity arrives when the business is well established and is not just concerned with survival. At this development stage, the entrepreneur may well have relinquished responsibility of the major decision making processes or even have left the company (Hattern 2007). The management structure may well be more formal with business managers running various departments and having longer-term planning goals. Finally, the harvest stage of the life cycle may see the entrepreneur remove themselves from the daily business activities and control released to others, or the business sold or merged, or may even be run down to realise assets (Hattern 1997).

It should be stressed that not every business reaches all the stages in the life cycle model, few do, and this can be dependent on the motivations, actions and strategies deployed by the entrepreneur at various stages of the cycle (Hattern 1997; Flamoltz 1990; Scott and Bruce, 1987). Limitations and criticisms of the stages of growth life cycle models, such as those of Churchill and Lewis and others, have been well documented over recent times (O'Farrell and Hitchins 1988; Levie and Lichtenstein 2010; Mason and Brown 2013). Criticisms relating to their application in practice highlights that these models are deemed too linear and simplistic, the boundaries between phases may be hard to determine, being grey areas rather than distinctive, and fundamentally such approaches imply that a firm's development path is pre-determined, whereas in practice the number of stages are not fixed but variable. Also, the reason why one firm grows and another does not, can be varied, dynamic and complex. For instance, some

firms that ultimately grow and develop may have moved back and then forward through the stages rather than continuously forward in a linear sequence (Hattern 1997; Smallbone and Wyer 2000; Brown and Mawson 2013). Within certain phases of a firm's development there can also be high growth critical incidents, phases that trigger rapid growth known as 'tipping points' or 'trigger points' (Brown and Mawson 2013). Thus, overall it can be argued that the utility of these models are more in offering guiding frames of reference for the future, highlighting potential organisational problems that may have to be addressed due to the impact of growth.

One of the most important constraints on SME growth lies in the non-career motivations of the small firm owner manager (Gray 2002). However, it is difficult to find studies that are not survey based in the micro small firm sector regarding motivational influences of owner managers (McCarthy 2003). Integral, is the nature and form of motivational influences in the context of how rigid they are and to what degree they can change or evolve in the growth process. This can potentially lead to new informing insight of how entrepreneurial motivations and actions can be enabling forces at certain stages of growth, but also can be potentially constraining forces at other stages, particularly if entrepreneur motivations and actions do not evolve in line with the unfolding growth (Caulkin and Robinson 2003; Brown and Mawson 2013). This focus falls into the categorisation of 'personality-dominated' approach which positions the entrepreneur as central to the small business development process (Chell et al 1991). The approach draws attention to the pivotal role of the entrepreneur's motivations, emotions, desires and goals, along with the influence of personality in underpinning the enabling and constraining factors of small firms' growth (Brown and Mawson 2013). However, as highlighted in the previous section, research focused on personality traits facilitating

business success is controversial, and in particular, ignores the ability of individuals to learn and change over time (Gibb 2000; Higgins 2009).

The 'business management approach' focuses on the importance of business capabilities and the role of organisational development, strategic management, and formal planning and control (Hall, 1995; Linstead et al 2004). Much of the existing management knowledge within this approach is not however grounded in depth of understanding of the distinctive managerial, organisational and developmental features of the small business vis-à-vis large companies (Wyer and Barret 2005). Therefore, there is a need for careful screening when one considers which areas of the 'business management' approach literature to use as a guiding lens in consideration of small firms growth (Donohoe and Wyer 2005; Box 2011).

'Sectoral and broader market led' approaches draw attention to the importance of understanding the external environmental influences, and embedded development opportunities and constraints (Gibb and Davis 1997). This includes, the issues of specific sectoral conditions such as large company-small business relationships and the role and availability of new technologies in underpinning growth (Donohoe and Wyer 2005; Carriero and Massimiliano 2010). Insight from this existing knowledge base provides some partial frames of reference for consideration towards informing the future study of small firm's growth. Also, the above macro derived insight cannot be viewed in isolation in relation to the understanding of the enabling and constraining forces of growth. As discussed within the previous section, the pivotal role of entrepreneurs who start and run small firms can have significant influence on a firm's growth orientation and performance, as well as their organisational culture (Smallbone



and Wyer 1999; Higgins and Aspinall 2011; Lechner and Gudmundsson 2012) and owner manager ability to effectively interface and interact with the various dimensions of the small firm external environment is key to achievement of sustained growth.

In facilitating depth of understanding it is fundamental to take a multi-level perspective that recognises that the 'macro phenomena often emerge through interaction with the micro level dynamics and processes of the small firm (Donohoe and Wyer 2005; Nordqvist 2011; Degraevl 2012). Such a focus facilitates build up of 'deep', 'rich' understanding of the nature and form of small firms' growth within their enabling and constraining micro contexts, and their interface with the macro external environment (Wyer et al 2010; Box 2012).

## **2.5 Strategy and the Strategic direction of small firms:**

This section provides a general overview of strategy formation within the literature, and in particular with a focus on the relevance of alternative strategic perspectives and characteristics in the small firm development context.

An organisation's strategy consists of competitive efforts and business approaches that managers employ to please customers, compete successfully and achieve organisational objectives (Thompson and Stricklen 2003; Thompson et al 2010). A strategic plan consists of an organisation's mission and future direction, near term and long term performance targets and strategy (Thompson and Strickland 2003). It can be argued that strategy has in recent times been viewed as mainly the concern of larger firms, and consideration of business strategy formation within the small firms literature is a neglected area that lags that of business strategy more generally (McCarthy and Leavy 2000; Verreynne and Meyer 2010; Box 2011).

However, the term strategy and planning can quite often mean the same thing in the less formal structures and processes of the small firm sector. In fact, strategy is not a process that can be easily defined or easily categorised with a list of activities, it is sometimes used interchangeably with business planning and can mean different things to different people (Wyer and Barrett 2004). Specifically in the small business world some owner managers may not recognise that they are engaging in strategic processes because it is not formalised (Beaver and Prince 2004). The role of strategy as a factor influencing small firm growth can be considered in terms of the management actions taken by the entrepreneur once the business has started to trade that affects the development path of the firm (Lechner and Gudmundsson 2012). Main strategies considered from the literature can be classified into four or five broad categories and these can be subsequently sub-divided into 10 specific schools of thought on strategy formation (Mintzberg et al 1998; 2005). Integral to these schools of thought is a mix of perspective, some prescriptive and others descriptive.

In reality, strategy formation and implementation are intertwined as complex interactive processes in which politics, values, organisational culture and management styles determine or constrain particular strategy decisions (Mintzberg and Quin 1991; Mintzberg 2005; Box 2011). Drawing upon the understanding and insight offered by these various schools of strategic management perspectives it is intended to critique and utilise their relevance and potential application in relation to the nature and form of strategy formation processes in the small firm. The planning, positioning, design, entrepreneurial , cognitive, power, cultural and environmental schools of strategy formation thought are each considered in the following sub sections.

The **planning school** proffer's a two dimensional strategic focus of a planned intended strategy or an unrealised strategy (Mintzberg et al 1998). A planned strategy is made by the organisation's leadership in a formed systematic way to achieve a deliberate intention and outcome (Thompson and Stricklen 2003). This is a rational approach and the premise is that managers think and then act, they formalise plans and then implement. However, when the desired outcomes are not achieved we are left with unrealised strategies (Mintzberg 2005). The planning school embeds both dimensions with a preference for a deliberate-intended strategic outcome (Mintzberg et al 1998,; Vila and Canales 2008).

There are different kinds of plans prescribed for organisations with a distinction drawn between corporate plans and business unit plans. As highlighted by Stacy (2003), corporate plans are strategic which address the long term direction of the organisation identifying future performance levels, both financial and operational that is going to be achieved at some point in the long term future. Business unit plans are more short term and are usually organised on a functional or operational basis. These plans set out the actions that are required in areas such as sales, finance, production and research to contribute toward the business unit plan and subsequently the whole organisation's strategy (Stacey 2003; Mintzberg et al 2005). Underpinning this step process mode of management is a specification of future actions that will produce performance objectives and thus it is necessary to find out something about the future environment in which decisions are to be taken (Lynch 2003). Finding out about a future environment within the rational planning mode of management involves a process of analysing the past and the present, then using the analysis as the basis for forecasting and anticipating the future (Stacey 2003; Freel and Deakins 2003; Lynch, 2003, Vila and Canales 2008).

However, within the dynamic small business environment underpinned by informal organic processes and structures, two key issues arise regarding planned strategy formation. How can managers predict the future? And how can the future strategic direction of a firm be based on rigid forecasts derived from historical insight? Researchers Mintzberg and Walters, 1985; Mintzberg et al 1998; Hayashi 2001; and Lechner and Gudmundsson 2012 propose that strategy formation is not simply an exercise in rationality but reflected experimentation, exploration, intuition, instinct and learning. It can be argued that these are significant factors, actions and activities that have an influence on the strategic decision making activities and processes in the entrepreneurial small business world, where constant open-ended, unknowable changing external situations occur (Stacey 1990; 2003; Mintzberg et al 2005).

Thus, can strategy in small firms be viewed as deliberate and planned; underpinned by strategic decisions that evolve from rational, formalised and analytical processes? A key requirement for success in this school of thought is that the organisation must be adaptive to its external context, finding a balance or 'fit' with its external environment (Lynch 2003; Porter 1985; Mintzberg et al 2005). However, for Wyer (1998), and Stacey (2003), this assumption ignores the possibility that managers can create or co-create their environments (Baker and Reed 2005; McKelvie et al 2012); and that learning and strategic decisions can build out of conflict, crisis and ambiguity, far from balanced conditions (Stacey 1990; Mintzberg et al 2005; Azher 2008)

The utility of the rational planning model also ignores the distinctiveness of the small firm with its size-related constraints, lack of resources, limited management capabilities and the facing of

potential unique problem type situations (Wyer1998), in their unknowable and unpredictable operating contexts (McKelvie et al 2011). The small firm is unable to draw on the same type of resources as larger organisations, for example, in examining and auditing the external environment, market research, access to specialist staff, and marginal labour markets (Smallbone and Wyr 2000;Deakins and Freel 2009).

Other limitations of the rational planning approach include the assumption of the ability of organisations to facilitate ongoing monitoring of longer term plans and internal resources. Comprehensive external analysis is required at each step or milestone, but this is not feasible for all firms (Roney 2003). In fact, Mintzberg et al (2005, 2008) and Azar (2008) question the utility in committing time and resources in this way, when compared to a more flexible and adaptive model of strategy focused on change and responsiveness to the changing environment. Resource intensive strategies were questioned on profitability because of a lack of responsiveness (Azar 2008; Zellweger and Sieger, 2010).

Moreover, the formalised, linear and prescriptive actions necessary to implement rational long term planning in practice are questionable. Strategic decisions evolve from complex ‘messy’ bundles of information and actions that can change on a day to day basis and even hourly (Nordqvist 2011). This certainly does not follow a linear format (Grant et al 2002; Johnson et al 2003; Gray 2004). Thus, it can be concluded that the rational planning school of thought is likely to have a limited application in the entrepreneurial small business sector. It can be argued that this school of thought is more applicable in closed contained change situations, such as, in financial budget planning and stable or relatively static operating contexts (Freel and Deakins 2003, 2009; Stacey 2003). For other writers, firms that experience high growth need to evolve

more rational, analytical processes for stability and long term sustainability (Hattern 1997; Thompson and Gray 1999; Freel 2000). It can be concluded, that where there may be synergy between the small firm and large company contexts is with the potential of short term rational planning in closed or contained situations - but not with regard to use of longer term 'rigid' rational planning models, whose utility even within large companies is by now rigorously questioned (Stacey 1990). Furthermore, with the fast paced global business environments of today and in line with the hyper-competition stance of Johnson et al (2003), strategies based on long-term rational models will become under further review for their relevance and application, as change is ongoing and competition is potentially 'instant' (Mintzberg et al 2005). It is envisaged that flexible or adaptable entrepreneurial units within large organisations will become more common, fostering creativity, innovation, speed and autonomy, thereby mirroring the small firm entrepreneurial process. Only after experimenting and testing within their market will internal venture capital be made available for market development.

**Positioning school:** Key strands of the business strategy literature emphasise the importance of considering the competitive positioning of an organisation within its external operating environment (Porter 1980). This strategic approach is based upon the perspective of a firm being competitive by differentiation or cost leadership; with the appropriate competitor stance being identified by the pre- analysis of the existing industry structure (Porter 1980). The relevance of this school in relation to small firms is that they do not have a great deal of influence in their external environment due to their lack of resources and capability constraints, therefore, they should focus on being competitive in niche markets (Wheelen and Hunger (1999) cited in Beaver and Prince (2004)).

However, this generic strategic approach has certain characteristics commensurate with the rational school of thought which assumes an organisation's capability of undertaking a pre-analysis of industry structure (Mintzberg et al 1998; 2005; Azar 2008). It can be argued that rather than undertaking a structured analysis many entrepreneurs may have to learn and 'feel' their way along toward a competitive position, and in understanding what is an appropriate position through testing in the market place by 'trial and error or experimentation (Hill, 2001; Grant et al, 2002; Wyer and Barrett 2005; Lechner and Gudmundsson 2012). In this line of augmentation there is utility offered from the positioning school of thought in the small firm development context, however, depth of understanding is in the nature of the processual activities which interface between the micro and macro business environment (Degraevl, 2012). It is important to delve below the surface of these processes into what constitutes the nature and form of small business management practices and actions that facilitate small business strategic positioning (Wyer and Donohoe 2005), thereby enhancing understanding of the strategic development context of the small firm (Porter 1980; Wyer and Barrett 2005).

Such insight being unfolded within this review is progressively emphasising the need for an innovative methodology, incorporating a multi-level 'micro and macro' perspective and interconnectedness of these levels. A methodological approach that investigates the key processes that strategy is formalised through can produce richer data that can facilitate the build up of more robust theoretical models and concepts (Nordqvist, 2011; Degraevl, 2012).

**Design school:** This school falls under a prescriptive rational approach whereby a strategic model is designed to primary assess the competencies and capabilities of an organisation's

internal and external environments, thus, facilitating a strategic competitive 'fit' in the market place (Mintzberg 2003; Linstead et al 2004; Box 2011). Underpinning this process are strategic tools such as analysing the strengths, weaknesses, threats and opportunities (SWOT) of an organisation, and a Pestel model analysing the political, economic, social, technological, environmental and legal issues facing an organisation (Mintzberg 2005). This school of thought is based upon a corporate 'top down' approach from CEO, board members, directors who as stated by Hayes (1985:p117) cited in Mintzberg et al (1998) 'this command and control' mentality allocates all major decisions to top management and imposes them through elaborate planning ,budgeting and control systems'. Key assumptions underpinning this approach are that strategy is viewed as a formalised, 'learned' systematic process. This ignores that strategy formation potentially can be an intuitive, organic and a naturally developed skill facilitated by the interface at various levels within an organisation, and on the external boundaries of the firm, for example, with suppliers, distributors and customers (Carson 1995; Mintzberg 2005; Azar 2008). As with the planning school, this approach focuses on the premise that strategy is a process of conception and then structured implementation, this ignores the ability of organisations and their individuals to learn, and strategy to evolve incrementally through emergent strategies (Hamel and Prahad 1997; Gibb 2000; Tnzeng 2013). It can be further argued that the dichotomy between formulation and implementation, central to the design school of thought, can lead to superficial strategies that cannot be implemented effectively, thus, potentially undermining the distinctive competences of the organisation (Ghobadian and O' Regan 2002; Mintzberg 2003). Stonehouse and Pembleton's (2002) study on strategic planning in SMEs found that there is limited evidence of practical strategic planning in



the sense of setting long term business objectives, along with the use of strategic tools for strategic analysis. They identified a focus on short-term business planning rather than strategic thinking, concluding that this may be an important factor in the high failure rates commonly encountered among SMEs. However, they argue, along with the work of Joyce and Woods (2003), that a lack of awareness rather than a preconception of strategic tools being useful may be the fundamental reason for the lack of strategic planning in SMEs. Joyce and Woods (2003) were not clear whether owner managers had considered and rejected the use of such tools in favour of processes of strategic management that worked for them. This researcher would argue that the assumption of 'large firm' strategic tools having utility is underpinned by the premise that a small firm can be viewed as a 'scaled down version of a larger firm', this ignores the fundamental issues related to the distinctiveness of the small firm vis-à-vis large companies, which are underpinned by owner manager characteristics and constraints and size-related characteristics and constraints (Wyer et al 2003; Wyer et al 2010).

It is further argued that it is the processes of what works for entrepreneurial owner managers embedded in their day to day and weekly working activities that is crucial for investigation, thus, potentially enhancing the depth of insight toward the nature and form of strategy formation processes (Grant et al 2001; Nordqvist 2011). In other words, small business 'strategic management' is likely to be embedded in day to day management practices and actions rather than some 'high level' overarching management activity and to understand what constitutes small business strategic management requires understanding of those day-to-day management approaches.

**Entrepreneurial school:** This school postulates strategy formation as a visionary process in which a long term vision of an organisation is usually taken to mean a picture of a future state, a mental image of a possible and desirable future that is realistic, credible and attractive (Stacey 2003). As highlighted by Mintzberg (2003), this vision helps 'bind' the organisation together and unfolds opportunities that facilitate fulfilment of the vision. The key facilitator in this school of thought is the individual, underpinned by cognitive processes, emotions, experience, intuition, personality, motivations and learning, along with their understanding of the interface with their environment (Zampekasis 2008; Lechner and Gudmundsson 2012). However, not all entrepreneurs can be visionary, from the research of MaCarthy (2003), two types of entrepreneurs were identified; charismatic or pragmatic in style, where one is seen as a risk taker, visionary and innovative and the latter is more conservative, formal and risk adverse. McCarthy's findings suggest that the onset of crisis in a firm has a direct effect on the personalities and the strategic direction of the firm (Cope 2007). History showed that the degree of planning increased with crisis and a more formal planning strategy evolved, the control of finances also became a priority. More recent research from Wyer and Barret (2005); Donohoe and Wyer (2005); Wyer et al (2010), highlight the 'notion' of vision not as a rigid final end-type path to be relentlessly pursued but rather a flexible mentally held 'preferred or envisaged' end in terms of a 'feel' of direction that the small firm's markets, products and processes should take in the unfolding external business environment. How these mentally held 'preferred or envisaged' end- type processes evolve is an area of very little insight in the small firm strategic development context. It is intended within this study to develop a creative methodology to enhance understanding of the strategy development context; thus, shedding

light on these entrepreneurial 'mind-set' processes (Norvisqt 2011; Moris et al 2013; Tgeng 2013). Such a proposition is considered in detail later, deriving support from the early application of personal construct theory in the small business development context (Wyer et al 1998, 2010), along with insight from the cognitive school of strategic management (Baron, 2008) and the role of emotional intelligence (Salovey et al 2012).

**Cognitive school:** This school of thought draws on the field of cognitive psychology and is underpinned by the role of strategy evolving through the processes of human cognition (Powell et al 2011). It is therefore crucial to understand strategy from the perspective of inside the mind of the strategist, in this case the entrepreneur, and the mental processes that underpin such strategic actions (Spender 1996; Mintzberg et al 1998; Powell et al 2011; Degrauel 2012). The formation of strategies evolve in this school of thought from the development of an individual's mental thought processes derived mainly through direct experiences within their environments (Cope2007, 2011; Pittaway and Thorpe 2013). From this perspective strategies emerge either through mental maps, concepts, frames or constructs to interact with the environment from either an 'objective or subjective' philosophical stand point (Robson, 2003; Campos and Sanchez 2003). For Mintzberg et al (1998, 2005) the objective view sees the firm as 'embedded' within its environment, it has an external and independent existence, it is solid, rigid , the strategist reacts or re-creates a strategy to meet or 'fit' within their environment (Moruku,2013). From the subjective perspective, the environment is 'constructed' by human actions underpinned by mental processes to make sense of the actions required; the environment is constructed as an interpretation of the individual's world views (Spender 2006). The individual is central to the cognitive approach. However, more generally the world of

cognitive psychology and its interface with strategic management is very limited in business research. The complex, creative and innovative actions developed by entrepreneurial 'mind-set' processes are crucial to strategy formation (Zampetakis 2008; Powell et al 2011). Approximating the above, the works of Wyer (1998; 2001; 2003; 2004) have drawn upon Personal Construct Theory (PCT) as a methodological approach to enhance understanding of strategy development processes within small businesses adopting a philosophical stance of 'constructive alternativism' (Kelly 1955, 1977; Horley 2012), aiming to enhance understanding of the entrepreneurial mental processes in the strategy formation context (Zseng 2013). This is an evolving and challenging research approach to try and get 'inside' the mind of the entrepreneur and address issues such as how do entrepreneurs hold multiple perspectives of reality (Georgellis et al 2000), how information is screened and in what context. This researcher's study takes a key lead from Wyer: a PCT-based framework offers itself in the taking of a tentative step towards addressing these issues. New methodologies are crucial for understanding more the psychological nature of strategy formulation (Powell et al, 2011).

**Learning school:** The resource or knowledge-based view of strategic management stresses the importance of incrementalism and learning in the organisational strategy formation process (Hamel and Prahalad, 1994; Nonaka and Takeuchi 1995; Linstead et al 2004; Mintzberg 2005; Box 2011). A firm's knowledge of this, as a strategic asset is emphasised by Prausak (1997) who advocates "the only thing that gives an organisation a competitive edge, the only thing that is sustainable is what it knows and how fast it can learn something new'.

Nonaka and Takeuchi (1995) who developed the learning process in terms of knowledge creation emphasises the role of the individual. Knowledge creation occurs out of conversions between tacit knowledge and explicit knowledge of the individual. It can be argued that through sharing of this tacit knowledge among entrepreneurs, employees, stakeholders and customers, including individuals with different backgrounds, perspectives and motivations becomes a critical step for the entrepreneur and organisation in enhancing learning (Gibb, 2000; Gemmel et al 2012).

The learning school sees strategy formation as an emergent process as the entrepreneur learns over time within their unique open-ended, unknowing and unpredictable operating context (Stacey 1990; Wyer et al 2003). Often using experimental actions and past learning to anticipate the future direction of the firm, by 'learning your way along' (Wyer, Donohoe and Matthews, 2010) becomes a crucial dimension of the strategic development of the small firm (Gibb 2000; Beaver and Prince 2004; Wyer and Barrett 2005; Higgins 2009). A key facilitator here is that of the entrepreneur having 'learned how to learn' (Wyer and Barret 2005; Higgins and Aspinall 2010) or having developed a capacity to learn (Lopez 2005; Higgins 2009).

**Power school:** This school of thought views strategy formation as evolving through the processes of power and politics within the micro context (internal processes of the organisation) and macro contexts (external environment interface) (Linstead et al 2004). This process tends to be emergent whereby at a micro level, the internal actors of the firm interact through bargaining, persuasion, motivation and sometimes direct confrontation to develop and negotiate a position relating to a strategic development path of the firm (MaCarthy 2003;

Mintzberg et al 2005). At a macro level, external relationships are as important and as vital to success as internal ones. Political skills associated with developing networks, bargaining, negotiating and building alliances, both informally and formally, can be essential in the strategic development context of the firm (Stokes 2000) - for example, in facilitating effective large company-small firm relationships. Within organisations, conflict of interests arise in predictable ways because of interdependencies and power differentials that are structured or built into organisations, through such things as; division of labour, task specialisation or introduction of new technologies (Linstead et al 2004). Also, within the small firm domain, limited resources and operating under conditions of scarcity are common (Deakins and Freel 2009). This means that rewards and opportunities are never adequate to meet everyone's expectations, and thus, conflict and power struggles can remain endemic (Linstead et al 2004).

Thus, it can be seen that the strategy formation process cannot be devoid of the influence of power and politics. How effective an owner manager is in this context can obviously have a great bearing on the development of the firm. It can be further argued that in this context, a barrier to SME strategic growth may relate to the nature of the entrepreneur who has the control and power of decision making in the firm, and whether he or she is open-minded to accept sharing or releasing responsibility easily (Gray 1998; Gibb, 2000). For Wyer (1990) the small business should be treated as is no less a political system than the large company - rather it is the nature and form of the political relationships which differ.

**Cultural school:** Culture can be defined in many ways and many researchers have highlighted 'partial' descriptions of culture, all making some sense (Brown, 1998; Martin 2002; Aleverson,

2002). However, Bates (1994) argues that culture and strategy are not just related or similar but that strategy is a cultural phenomenon (an outcome of cultural processes) and culture is strategy (a way of dealing with human problems/dilemmas). In organisational terms, as stated by Linstead et al (2004) these dilemmas surface in such ways as 'the need to adapt the organisation to a changing environment' versus 'the need to integrate members of the organisation internally; or 'the need for change' versus 'the need to preserve key continuities'. It can be argued, that culture is what evolves to bridge these gaps (Linstead et al 2004). Stein (1985) defines culture as 'the deeper level of basic assumptions and beliefs that are shared by members of an organisation, that operates unconsciously, and define in a basic, 'taken for granted' fashion of an organisation's view of itself and its environment'. Relating culture specifically to the distinctiveness of small firms, owner managers can exert a powerful influence on the culture of their organisation, especially if they are the founding owner. Thus 'in an owner managed business the organisational culture typical reflects the personality traits and aspirations of the owner manager, which in turn helps to shape the enabling and constraining forces affecting the firm' (Smallborne and Wyer, 2000). When organisations are small and the owner manager as a leader is visible, they can lead by example, the influence he or she can have over the development of the organisation can be much more directly felt than CEO's of larger organisations. It can be argued what is crucial is communication, which can be often seen as one-way, focusing on the owner manager's word to get people to follow, rather than increasing an upward and lateral flow of communication to improve sharing, if 'collective' shared meaning is really what culture is about (Brown 1998; Thompson and McHugh 2002). If an owner manager is set in his or her ways this can permeate throughout the firm in a culture

that is embedded in the organisation and is resistant to change. This potentially impacts on the firm's ability to exploit new unfolding opportunities (Siu et al 2003). Thus, this can be potentially a significant constraining factor in the strategic development path of the firm. Integral to small firm culture, is how to balance the personality traits and aspirations of the entrepreneur to an overall collective organisational culture that reflects a multi-level perspective and integrates a more personality orientated style with an organisational style (Mintzberg 2003; Moruku 2013). Crucial is how for most small businesses the owner manager is positioned as pivotal individual (Wyer 1990).

**Environmental school:** The environmental school of strategy formation positions the external environment as the central and driving force to be considered in strategy formation (De Wit and Myer 1998, 2008). The organisation must be reactive to external forces and adapt or will be 'selected' out of the competitive environment (Roney 1999; De Wit and Myer 2004). The environmental school of thought has its roots in contingency theory which advocates that success will be secured when an organisation secures a good match or fit between its environmental situation, its strategies and structures (Stacey 2003; De Wit and Myer 2004). Thus, contingency theory relates to a common sense view that when different situations evolve this facilitates different types of behaviour, in essence, a theory of the nature of cause and effect (Roney, 1999; Stacey 2003). Mintzberg's seminal work (1979) identified the dimensions of the environment responsible for the differences that are observed in organisations. These can be summarised into four main groupings as follows:



<b>Dimension</b>	<b>Range</b>
○ Environmental Stability:	Stable to dynamic
○ Environmental Complexity:	Simple to complex
○ Market diversity:	Integrated to diversified
○ Hostility:	Mutual to hostile

Assumptions relating to this school of thought portray that if an organisation operates in a very dynamic and rapidly changing environment then it requires an organic and flexible form of organisation to succeed. If however, it operates in a simple, slow moving environment, then it requires mechanistic structures to succeed (Mintzberg et al 1998 2005). Likewise, if an organisation is small then it requires a simple structure, and if an organisation is large it requires a divisionalised structure (Roney 1999). The premise of the interconnectedness between organisations and their environment is that the casual effects are linear, in the sense that they run in one direction. So it is a particular environment that causes a particular kind of successful strategy and that causes a particular kind of successful structure (Roney 1999; Stacey 2003).

However, this approach ignores, as in the rational planning school, the possibility that individuals and organisations 'enact' environments (Clydesdale 2012). Other issues raised include:

How distinct the organisation is in relation to its environment, and do firms have more strategic choice than just reacting to the environment only. For example, can the organic and informal structures prevalent within the small firm sector potentially cause them to follow certain

strategies which create certain types of environments to which they respond? These are questions that open up a debate regarding the assumptions made about the nature of cause and effect underpinning the environmental school and in particular the assumptions about the dynamics of organisations (Mintzberg et al 1998, 2005). This debate leads to the two opposing perspectives of industry dynamics (adapt) versus industry leadership (innovate) (De Wit and Myer 2004). It can be concluded, as with many of the alternative strategic schools of management, that the utility of the environmental school is not an absolute but rather has an integrated customised potential. Thus, an alignment and consistency in terms of considering different combinations of strategies, structures and cultures, are each suited to a particular environment, with a particular set of objectives at a particular time. The firm then adopts whichever of these satisfy the consistency criteria. (Stacey 2003; Tse and Soufani 2003; Beaver and Prince 2004)

In the final analysis, in some situations the external environment will clearly be deterministic as an imposing force on the small business. In other situations, the owner manager can undertake voluntary actions and treat parts of the environment as a challenge that can be utilised or exploited. In the main however, the relationship of small business with its environment will be mutualistic; sometimes the environment will ruthlessly impact on the small firm causing problems to adopt, a prime example of this is the recent credit crunch. The subsequent impact of banks withdrawing any real financial support for the small business sector, arguably in favour of getting 'their own house in order' regarding liquidity and cash reserves, has resulted in many small firms not being able to survive.

However, sometimes the owner manager will be proactive and anticipate future environmental change; but the more entrepreneurial owner manager on many occasions will innovatively co-create (Dixon 1994) his small firm operating environment.

Thus, the various schools of thought provide grains of truth insight into what constitutes strategy formation: the planning school sees strategy formation as formal process; the positioning school as analytical process; the entrepreneurial school as visionary process; the cognitive school as cognitive process; and so on. Integral to each strand of research into strategy process however is a key dimension of commonality: the 'process' insight is embodied with richness of understanding (albeit from the differing perspectives of the various schools of thought) but those processes are effectively treated like some form of 'black box'. The finer detail of the practices, actions, activities, behaviours and abilities which make up the strategy process is still missing or at best surface in much of the strategy research (Jarzabkowski 2005; Jarzabkowski, Balgon, Seidl 2007; Whittington; 2006).

Mainstream research has still to adequately capture who does strategy and just what they do – and the ways that emotions and motivations of those individuals impact and contribute to their shaping strategy. Johnson et al (2003) attribute this situation to the dominant micro-economic foundations of the mainstream strategy research. In response to this a new field of study is emerging labelled 'strategy-as-practice' which is taking this surface in the box practice knowledge gap seriously, 'bringing human actors and their actions and interactions to the centre stage of strategy research (Jarzabkowski and Spee 2009). Such a strategy as practice gap is a key orientation of this researcher's study, addressing the need for new strategy practice

knowledge in the small business development context; and the grounding of existing unfolding large company oriented knowledge in understanding of the distinctiveness of small business.

## **2.6 Marketing in Small Firms: Entrepreneurial Marketing at the Strategic Interface**

The section commences with an overview of marketing theory and concepts within the traditional marketing paradigm, it then moves on to discuss the dichotomy between this approach and what small firms do in marketing practice. Further discussion examines what constitutes the strategic marketing interface and how this evolves into the marketing processes and activities in the small business strategic development context. Finally, the section concludes by drawing reference and guiding insight toward enhancing the small business marketing capability. Small firm marketing practices have been historically assessed in the context of existing models and theories based on large firm approaches (Coviello et al 2000; Stokes 2000; McCartan-Quinn and Carson 2005). Marketing practices in larger organisations follow the traditional approach of segmentation, targeting and positioning, so that products and services are focused on appropriate buyer groups (Percy et al 2001; Jobber 2007). This process is underpinned by a rational, pre-analysis, 'top-down' approach toward the marketplace in which strategy evolves, as highlighted by Percy et al (2003) and Kapferrer (2003), in the order of;

- Profiles of market segments developed by using demographics, psychological and buyer behaviour variables
- Evaluation and selection of the most attractive target segment
- Finally, the communication of a market position differentiating

the product or service from competitors

The above process usually involves both primary and secondary market research activities and implementation is underpinned by the marketing 'mix' perspective (Borden 1964) and the embedded 4P's model (McCarthy 1964). It can be argued that such large company oriented marketing forms is probably the reason why small firm marketing practices have generally been criticised as non-conventional, informal, short term and non-strategic (Hills, 2001; Zontanous and Anderson 2004). However, there are good reasons why small firm marketing does not follow more traditional larger firm marketing approaches. As highlighted in the previous section, the distinctiveness, resources and size-related constraints that distinguish small firms from large firms means the utility of rational, analytical and formalised marketing processes are inappropriate or can only potentially facilitate 'partial' frames of reference to be adapted in the small firm operating context (Alistair et al 1999; Wyer and Carberry 1998; Wyer and Barrett 2002).

A small firm's lack of market power and dependency on a small customer base, results in an environment which is much less controllable and more uncertain than that of larger organisation (Wynarczyk et al 1993; Hill 2001; Hills et al 2008). Marketing is certainly important and critical in the early years of a small firm's development as it creates the vital interface between the organisation and its external environment (Storey 1994; Freel 2000, 2009). Research by Smallbone et al (1993) highlighted that the survival and non-survival of small manufacturing firms depends to a great extent on adjustment which is a key factor. The most important adjustments for survival were active market development, a continuous search for

new market opportunities and expansion of the customer base. Firms that are more proactive in making adjustments in what they do and how they do it, in particular in the context of the market place, appear to have a greater chance of survival than those that carry on as before (Deakins and Freel 2003, 2009; Zontanos and Anderson 2004) Thus, as a function that supplies the necessary information and direction to guide such adjustments, marketing provides the key interface between a small business and its external environment (Zontanos and Anderson 2004).

It is generally accepted that the distinctiveness and characteristics of the small firm influence marketing practice (Carson 1995; Brooksbank 1999; McCartan-Quinn and Carson 2003; Mort et al 2010). Certain characteristics which differentiate small from large organisations create specific marketing issues, which potentially can be very challenging for the small business owner manager. A number of studies (Carter and Jones-Evans 2000; Stokes 2000) have shown a relationship between the size of the firm and the number of customers, with a high percentage of small businesses dependent on less than ten customers. One consequence is that small businesses tend to trade only in a limited geographical area (Curran and Blackburn 1990; Parrot 2010), and this thus ties their fortunes closely to the cycles of the local economy with limited opportunities to adapt or compensate for any downturn (Hall 1995; Freel 2005). Another significant marketing problem is that of the limited financial and human resources in small firms. Small firms have less to spend on marketing, both in absolute terms and even as a percentage of income. They generally have no marketing department, and financial limitations also restrict their ability to employ marketing specialists (Weinrauch et al 1991; Freel 2000). Weinrauch et al (1991) and Parrot (2011) argue that small firms lack a strategic orientation

across a spectrum of activities including human resources, management practices as well as marketing. However, this can be dependent on one's definition of strategic orientation, for example, strategic in the sense of a traditional 'large' firm marketing approach, undertaking the use of transaction marketing techniques such as the 4Ps or market segmentation. These draw heavily on resources, both financial and human, which as discussed above are rarely rich attributes of small firms. However, just as the firm must evolve in today's dynamic environments to survive, so marketing evolves to reflect the owner manager's experience and the needs of the firm (Carson 1985; McCartan-Quinn and Carson 2003; Parrot 2011). Thus, many owner managers do not define their own marketing mix in terms of product, pricing, place and promotion, they prefer interactive marketing (Stokes 2000; Hill and Wright 2001; Parrot 2011). They specialise in interactions with their target markets underpinned by a preference for personal contact with customers rather than the impersonal marketing of mass promotion (Day et al 1998; Stokes 2000). As argued by Zontanous and Anderson (2004), small firms may consider a very different 4Ps, 'person', 'process', 'purpose' and 'practices' and these variables potentially provide a better framework for understanding entrepreneurial small firms marketing. Thus, in considering the choice of the marketing approach owner managers adopt, this may also reflect a strategic orientation within the context of the limited resources of the small firm. The creativity and innovation of the entrepreneurial owner manager is a key facilitator in this and can create a very competitive force for the small firm (Collinson and Shaw 2001; Mort et al 2012; Wyer, Donohoe and Matthews 2010).

The pivotal role of the owner manager entrepreneur is a distinguishing feature of small firms influencing both a 'personal' management style approach and the strategic development

context of the firm (Gibb and Davies 1990; Sui and Kirby 1998; Hills et al 2008). Therefore it is reasonable to argue that many small firms are owner managed and so their marketing activities must be shaped and influenced by the lead entrepreneur. Thus, in considering what constitutes the strategic marketing interface in small firms, the entrepreneurial marketing interface can be classified as synonymous or as one and the same (Collinson and Shaw 2001).

### **2.6.1 The Entrepreneurial influence on Small Firms Marketing Strategy**

Over recent times the influence of entrepreneurship and marketing has emerged as an important development in marketing theory and practice, being classified under the banner of entrepreneurial marketing (Hills et al 2008; Parrot 2011; Jones and Rowley 2011). One reason for this is that researchers have identified a number of commonalties between entrepreneurship and marketing. In particular, opportunity recognition and change have been identified as key areas of overlap between entrepreneurship and marketing (Stokes et al 1997; Shaw 2004; Jones and Rowley 2011). Entrepreneurial marketing is seen as a critical factor in the development of new start- up ventures (Hills et al 2008; Mort et al 2012).

Reviewing work in this area, Collinson and Shaw (2001), highlighted that entrepreneurship and marketing share three significant areas of overlap;

- Both are changed focused
- Opportunistic in nature
- Innovative in their approach to management



While commonalities between marketing and entrepreneurship have been identified there is no agreed definition of entrepreneurial marketing (Hills and Fargo 1992; Hills et al 2008; Mort et al, 2012).

However, what is important is that the existing research has identified a number of activities and behaviours that are common to entrepreneurial marketing (Hills et al 2008; Jones and Rowley 2011). Entrepreneurs choose conventional 'close' relationships where they can have contact with customers, can listen and respond to them, rather than undertaking formal market research to understand the market place (Carter and Jones-Evans 2000; Hills et al 2008). Successful entrepreneurs generally do not apply formal research methods - they prefer more informal methods of gathering information through networks of contacts involved in their industry (Carson et al 1995; Stokes 2001; Hills et al 2008). Entrepreneurial marketing also relies heavily on word-of-mouth marketing to develop the customer base through recommendations (Stokes 2000; Jones and Rowley 2011).

Research has identified competencies required to engage and manage entrepreneurial marketing (Carson and Coviello 1994; Carson et al 1995; Hill 2001; Hills et al 2008). Related to competencies, one area, as mentioned above, that has received significant attention is that of networks and the activity of networks (Collinson and Shaw 2001; Shaw, 2006; Jones and Rowley 2011). This may be because entrepreneurial marketing is characterised by a responsiveness to the environment and an intuitive ability to anticipate changes in customer demands (Jones and Rowley 2011). Thus, investigating these 'anticipatory processes' is highly relevant toward understanding marketing processes in small firms. An aim of future research must be to shed

light on how these processes evolve and are implemented in the context of marketing practices. This is moving away from the more general orientation of much investigation to date which tends to place emphasis on the outcome and not the process of marketing in small firms (Wensley 1991; Sui and Kirby 1998; Mort et al 2012). Mort et al (2012) have called for research that utilises one construct to embrace the entrepreneurial marketing interface, whereas previously there has been a body of literature of various definitions that have fragmented this area. They focus on key areas of integrated entrepreneurial activity, such as being proactive, innovative and opportunistic, underpinned by risk management and the creative leveraging of resources that facilitates marketing activity. This moves away from the concept that small firms do not engage in sophisticated marketing techniques in their focus for value creation (Moris et al 2002; Mort et al 2012). Depth of insight is required that takes into account a multi-level perspective in exploring these innovative and creative processes that unfold at the entrepreneurial marketing interface, and that in turn are facilitating the specific strategies that enhance the performance and sustainability of the small firm.

Research has shown that with fewer financial resources and with greater restrictions on available time, entrepreneurs make excellent use of networks of relationships in which they are embedded, facilitating collecting market information which is critical to the continued achievement and development of the firm on a regular, almost daily basis (Grant et al 2001; Shaw 2006). One aspect of influence is risk taking, in the entrepreneurial context this generally refers to someone who specialises in taking risks. In relation to marketing, the entrepreneur's conception of the type and degree of risk will substantially influence the kind of marketing approach undertaken (Carson et al 1995; Collinson and Shaw 2001; Thomas et al 2013).

A further entrepreneurial influence on small firms marketing is the entrepreneur's personal motivation. It has been suggested that entrepreneurs tend to be highly motivated individuals (Storey 1994). With regard to marketing, such motivations can assist activity particularly in developing new products or markets and acquiring new customers (Ayanda 2012). Finally, in relation to the influence of power in the context of the external environment, the entrepreneur may seek to influence circumstances for the benefit of the firm. Entrepreneurs use personal contact networks to develop marketing activity and they may try to influence key people or use relationships with key players in the market place in an effort to secure business contacts, or gain vital market information (Carson et al 1995; Zontanous and Anderson 2004; Thomas et al 2013) - this supporting Wyer's (1990) portrayal of the small business as a political system.

It appears that marketing and entrepreneurship are closely related concepts, good entrepreneurs practice marketing and some marketing behaviour is entrepreneurial. However, what seems to distinguish 'traditional' marketing approaches from 'entrepreneurial' is the active role of the entrepreneur and networks appear to be the link between these two dimensions (Hill 2001; Shaw 2005). We see the focus of the individual, but also the idea of the extension of that individual in to a web of relationships. This researcher would argue, in line with others, Day et al (1998), Coviello et al (2000), that there is conceptual synergy with this approach and the recent shifting paradigm of the traditional approach toward relationship marketing.

Relationship marketing is often proposed as a solution to the argument that most marketing theories and approaches appear to be more suited to larger companies rather than small firms

(Coviello 2000; Mort et al 2012). McKenna (1991) presents an overview of relationship marketing, with a strategic view, emphasising putting the customer first and shifting the role of marketing from manipulating the customer to genuine customer involvement.

Berry (1983) who was among the first to introduce the term 'relationship marketing' suggested that this 'new' approach should be defined as attracting, maintaining and enhancing customer relationships. Some authors such as Cardwell (1994) and Parrot (2010) argue that an organisation's very survival will depend on moving closer to the customer, fully understanding the needs and wants, building a relationship and so developing an attitude of consistent customer focus. Thus, a small firms marketing advantage, in contrast to a large firm, is precisely these close relationships between the entrepreneur and customer. As discussed earlier, small firms often have a narrow customer base and customers are usually concentrated in a local market. This often facilitates shorter lines of communication between the firm and its customers (Hill and Wright 1999). Owner managers consequently often know their customers personally and the result of such close relationship and interaction leads potentially to benefits including customer loyalty and higher levels of customer satisfaction (Carson 1995; Stokes 2000).

Moreover, it is argued by many commentators that one of the main advantages for the small firm is easy access to market information. Owner managers are close to customers and markets, close to their staff (Brooksbank et al 1992; Brooksbank and Stokes 2002). As a result, owner managers can access vital, timely and inexpensive market information. In effect these networks are like a team of 'mini researchers' informing the entrepreneur of unfolding

situations and opportunities at a micro and macro level. Furthermore, such close relationships facilitate the reaping of information from which to learn, and make better informed marketing decisions (Cope 2007, 2011). The ability to gather and use information in this form is a critical advantage over a large firm (Stokes et al 1997; Hills et al, 2008; Cope 2011).

In line with this perspective, Jones and Rowley (2011), highlight that the entrepreneurial marketing interface should incorporate a multi level perspective underpinned by four distinct interrelated themes drawn from the literature. These four themes are comprised of marketing orientation, customer orientation, innovation orientation and entrepreneurial orientation, all coming together as the Entrepreneurial Marketing Orientation model (EMO) (Jones and Rowley, 2011). The dynamics of this model is that the focus of these four distinct themes are the DNA make-up of Entrepreneurial Marketing which has its roots in SME marketing practice, which is argued is substantially different from the traditional marketing literature (Stokes 2000; Carson et al 2005; Jones and Rowley 2011).

It can be further argued, as in the previous section regarding the utility of alternative 'larger' firm strategic models that 'traditional' marketing approaches potentially have some utility in the small firm entrepreneurial domain. This is not again in an absolute sense but as 'partial' guiding frames of reference. The key here is adaptation toward the distinctiveness of the small firm's dynamic and organic operating context. Owner managers have responsibility for all aspects of decision making; they are unlikely to perceive themselves as marketing specialists, more as generalists (Gilmore et al 2002; Deakins and Freel 2009). Entrepreneurs rarely take decisions on marketing issues in isolation from other aspects of their business. They need to

adjust their capabilities, resources and skills to their ever changing external environments (Gilmore et al, 2002; Wyer et al 2010).

In terms of the progressing of research in this area, it appears that the potential is to take a multi-level holistic approach, in that the small business strategic development context is an overall frame of reference, the umbrella to facilitate insight and understanding of the nature and form of what constitutes small firms marketing processes and activities at the strategic marketing interface (Jones and Rowley 2011). Carson (1995); Tyre and Brense (1996); Stokes (2000) and most recently, Jones and Rowley (2011) and Thomas et al (2012), have highlighted that research has resulted in models that generally have offered a depiction of the marketing approaches of small firms; however, these discussions have focused mainly on the mechanisms and structure, while the process and substance of marketing activities are neglected (Sui and Kirby 1998; Ayanda 2012). Mort et al (2012) have called for investigation of entrepreneurial marketing within entrepreneurial growth oriented small firms to help advance the EM research agenda. The case studies in this thesis are such entrepreneurial growth orientated firms.

## **2.7 Personal Construct Theory: Learning in Small Firms**

As touched upon within the literature review to date, this study is in part taking lead from the works of Wyer in the utilisation of personal construct in the underpinning of investigation of small business strategic management. This section of the review provides an overview of Kelly's personal construct theory (Kelly, 1955) and its potential application in understanding the simple and complex learning processes within the small firm operating context.

### **2.7.1 Kelly's Personal Construct Theory**

George Kelly in 1955 developed personal construct theory with a two volume monograph which remains the definitive work in the field of personal construct psychology (Fransella 2003). He explicitly set out to replace the models of the person adopted by behaviourism and by psychoanalysis with a model of 'man the scientist' (Banister and Fransella 1986; Donohoe and Wyer 2005; Pavilovi 2011).

Kelly's personal construct theory had an underpinning philosophical stance that he called 'constructive alternativism' which locates the dynamic for change within each person (Kelly, 1955).

For Kelly; 'Man formulates in his own personal constructs through which he views the world of events.....creates his own ways of seeing the world in which he lives. The world does not create them for him' (Kelly 1955). As a result, 'no person need be stuck with one version of reality: all our present interpretations of the universe are subject to revision or replacement'. Each of us can change by transforming our perceptions of the world: 'Man can enslave himself with his own ideas and then win freedom again by re-constructing his life' (Kelly 1955). Thus, constructive alternativism releases us from the confinement of our environment or our history, and places personal change under our own control (Bannister and Fransella 1971; Pavilivo 2011).

The essence of constructive alternativism lies in the anticipatory nature of personal constructs, whereby we revise our world views by re constructing our personal constructs in light of new experiences (Horley 2012). Humans are seen as being very dynamic in having a focus of being proactive and experimental towards anticipating future events (Horley 2012; Winter 2012).

Thus, man is focused on predicting and controlling his world, his thoughts, expectations and perceptions are all processes that are 'channellised' by the ways in which he anticipates events (Kelly, 1955). The process of anticipation and testing out engages our constructs with reality and it also offers a dynamic for personal change (Pavlovic, 2011). Each of us has an embedded drive to improve our personal constructs by making more and more accurate predictions about the world we live in. This is a dynamic process and with the future being change orientated, we are challenged to face new and unanticipated 'events' that we can only accommodate if we change or revise our constructs (Kelly, 1955, 1971; Pavilivo 2011). Kelly's theory is set out in his major work as a formal basic postulate and ten corollaries.

Even today, Kelly's model is very innovative and views personal construct theory as a 'holistic' theory of the person, it is not about the brain or some isolated cognitive theory, but the mind (Pavlovic 2011; Winter 2012). Other psychological theories see the person as a static entity, requiring some other 'cause and effect' to engage it into action (Palilivo 2011). They put forward 'needs' or 'drives' for this purpose, whereas personal construct theory rejects this, a person is seen as a process always making efforts to understand and always acting on experiences in the world (Horley 2012). Personal construct theory allows us as individuals to get dynamic feedback from our predicted 'future states' and constantly adapted or revise these so our future is on-going and not static or set by any means.

Extrapolating personal construct theory to the small business development context, Wyer and Barrett (2003); and Wyer, Mason and Theodorakopoulos (2000); and Wyer ongoing have shown the potential of PCT in positing the owner manager as 'man the scientist' - as pivotal individual



in the small firm constantly striving to approximate and re-approximate his own personal constructs of his business in its environment through taking on board deep pockets or snippets of learning from others and 'trying them on for size' as foundation for making adjustment to his own personal constructs and provide a more productive picture of his business and the strategic development opportunities available to him. In short, a personal construct theory-based conceptualisation of the small business strategic development process.

It is the intention within this study to utilise guide in from the work of Wyer and to draw significantly on Kelly's (1955) PCT to underpin the design and development of an innovative research methodology for this investigation. As such the finer detailer of PCT is considered and drawn upon in the next chapter, the research methodology chapter. The following section considers PCT within an organisational learning and development context.

### **2.7.2 Organisational Learning and the Learning Organisation: Small Firms Learning and Personal Construct Theory (PCT)**

Within the knowledge based view of the firm (Grant 1996), competitive success is governed by the capability of organisations to develop new knowledge based assets that creates core competencies (Pemberton and Stonehouse 2000). It is argued here that knowledge based assets are underpinned by organisational learning, which is an integral feature of any learning organisation that effectively utilises its knowledge resources to generate superior performance (Pemberton and Stonehouse 2000). Until fairly recently the term 'organisational learning' and the 'learning organisation' was often used interchangeably (Sun and Scott 2003). However, a growing consensus appears to be emerging differentiating these definitions, where despite

differences in terminology most definitions of 'organisational learning' concentrate on the observation and analysis of the processes involved in individual and collective learning within organisations (Armstrong and Foley 2003); whereas, 'learning organisations' can be conceptualised as 'entities that purposefully adopt structures and strategies to encourage learning' (Goh 2003). Here the focus is on the use of specific diagnostic behaviour and evaluative models which can help to identify, promote and evaluate the quality of learning processes within organisations (Armstrong and Foley 2003).

The learning organisation can be viewed as a strategic objective, like for example, increased profitability or customer satisfaction. Thus, representing the desired 'ends' (learning organisation) to be achieved via the appropriate 'means' (organisational learning) (Armstrong and Foley 2003). Once an organisation has moved towards its desired end state, organisational learning must be followed by changes in organisational behaviour.

For Sun and Scott (2003) 'learning must transfer from the individual to collective to organisational to inter-organisational, and vice versa, and 'must' result in changes in behaviour'. It is argued that the above 'learning organisation' is a concept that is more applicable to well resourced 'larger' firms. This model may be out of reach and not an appropriate theoretical foundation for understanding the learning development of the small firm. The concept of 'organisation learning' as depicted by individual and collective learning processes has more synergy with the distinctiveness and characteristics of the small firm operating context (Jones and Macpherson 2012). Thus, this perspective can potentially lay the foundation and open up a development path towards a future small firm 'learning organisation'

model. Learning processes in organisations can be described as single-loop and double loop learning (Argyris and Schon, 1974). Single loop learning takes place when an organisation is responding to changes in the environment without changing its core set of organisational norms and practices; while double loop learning entails responding to changes in the environment by changing its core set of organisational norms and assumptions (Berry et al 2000). At an individual level single loop and double loop learning approximate Kelly's (1955) personal construct theory treatment of a person's ongoing adjusting of his personal constructs. In practice, constructs requiring slight refinement or modifications involve single loop learning, what Kelly calls 'definition' of a personal construct; whereas, double loop learning involves a comprehensive change or re-construction of existing constructs, what Kelly calls 'extension' of a personal construct (Beck, 1980; Fransella, 2003; Wyer et al 2010).

Single loop learning and double loop learning have also been referred to as adaptive and generative learning respectively (Senge 1990). Adaptive learning is aiming at error detection, correction and prevention (Wang and Ahmed 2001), it is incremental and does not involve high costs and time (Sun and Scott 2003; Mintzberg 2005; Azher 2008). Arguably, this type of learning is more suitable for organisations operating in an environment of slow change, whereas generative learning is thought to be radical as it makes all knowledge and data within the existing system unusable (Mintzberg 2005).

This requires organisations to 'unlearn', that is to discard obsolete knowledge intentionally (Sun and Scott 2003). Generative learning is more applicable for organisations operating in a highly

dynamic environment, where the rate of knowledge obsolescence is far greater (Wijnhoven 2001; Higgins, 2009).

This researcher would draw attention to how, within the increasingly hypercompetitive and volatile environments in which business organisations currently operate, single loop and double loop learning may no longer be sufficient. Organisations need to engage in triple-loop learning, continuously challenging their constructs, strategies and culture, and constantly questioning existing products, processes, structures and systems in view of the future market place (Wang and Ahmed 2003; Mintzberg 2005). Arguably, such organisations should operate continuous learning cycles, where new knowledge is constantly acquired, created, shared and implemented.

### **2.7.3. Complexity of small firms learning**

This section brings focus to the relevance of the conceptualisation of the nature and form of the different external change situations depicted by Stacey (1990, 1993) in the earlier literature review as a context to understanding the complexity of small firm learning processes. Stacey (1990, 1993) highlights how closed contained and open-ended change situations can be faced by owner managers in their operating context. Open-ended change situations are unpredictable and often unknowable in terms of timing and consequences and severely test the capability of owner managers (Wyer and Mason 1998; Wyer et al 2010). Closed change situations relate to events that can be predicted in the short term. Contained change involves repetitions of the past which provides a basis for projection and can be underpinned by statistical analysis. Thus,

given the dynamic operating environment of many small firms, open ended change may be the most frequent external change situations an owner manager is likely to face.

Stacey (1990) highlights that strategic control of open-ended change situations is underpinned by organisational learning, which involves processes of exploration and experimentation. In PCT terms it an owner manger will not be able to rely on his existing personal constructs to inform how he should behave in an unfolding open-ended change situation – because his existing personal constructs have been informed by his past experiences and will be inadequate to cope with the totally new change situation with which he is faced. He must therefore learn about the new change situation and develop new personal constructs to inform his strategic behaviour. Use of PCT as investigatory aid helps build a deeper understanding and insight of the processes and complexity of small firm 'learning'. Crucially, it draws attention to the key role of owner manager experience in his strategic learning process.

Several strands of the small business literature highlight experience as a major source of learning for owner managers (Armstrong, 1992; Gibb 1997; Higgins 2009). This is a central platform for enabling owner managers and entrepreneurs to meet the challenges of their current and future business environments (Choueke and Armstrong 1998; Higgins 2009). Thus, experiential learning, learning by 'doing' experience is critical in small firms (Higgins and Aspinall 2011). This facilitates effective feedback and learning from markets, products, customers and suppliers. Gibb (1997) suggests that learning in small firms involves a 'complex network of economic relationships, dependencies and mutual obligations'.

Experiential learning can be channelled in many ways, such as, experimenting, trial and error, problem solving, risk taking, and conversational and dialogue processes (Gibb 1997). Kolb et al (2005) highlighted the role of conversation as an experiential learning process, where learners construct new meaning and transfer their collective experiences into knowledge through their conversations. Drawing from the theory of experiential learning (Kolb 1984, Kolb and Kolb 2005) it is suggested that conversational learning as an experiential learning process can be underpinned by a theoretical framework comprised of a 'five-process dialectics': Apprehension-Comprehension; Reflection-Action; Epistemological discourse-Ontological recourse; Individuality-Relationality; and Status-Solidarity. The base assumption of this framework is that the simultaneous interactions among these five dialectics ultimately guide and shape the act of learning through conversations. This dialectical stance suggests that conversation is a meaning-making process whereby understanding is achieved through the interplay of opposites and contradictions (Baker et al 2005). It is likely that this theoretical foundation has synergy with Kelly's bi polar construct conceptualisation.

This offers the potential for further investigation towards developing an informing 'conversational' component integral to the development of a tentative 'PCT' model. Just as Kelly's personal construct theory was conceived as a holistic theory of the person, dialectical inquiry aspires to holism through the embracing of differences and contradictions (Baker et al 2005). Inquiry into dialectics of conversation is one means of uncovering the assumptions and frames that cause 'tunnel vision' of the whole (Mitroff and Emshoff 1979). Again, this concept is in line with that of the 'permeability' of a person's construct system.

#### **2.7.4 Entrepreneurial Learning**

Recent literature has advocated that the field of entrepreneurial learning is a key creative and innovative driving force for entrepreneurial performance and economic recovery (Chi Tseng 2013). As stated by Jones and Macpherson (2012) 'systems of knowledge acquisition and dissemination are more important for strategic renewal than strategic orientation or environmental turbulence'

A key facilitator here is how efficient the entrepreneur can gather, interpret and share knowledge and have the processes that support this. Entrepreneurial networks are well known for being a very interactive and creative platform for knowledge acquisition (Stokes 2001; Cope 2007). As touched upon earlier in this review, these networks act as cost effective, flexible and fast responsive informing vehicles of knowledge and insight for the small firm (Carson et al, 1995; Gilmore et al 2001). Although well-resourced larger firms may have research teams and more sophisticated systems for collecting and analysing data, entrepreneurs can have a very competitive tool through their networks, facilitating fast and responsive actions to external market changes. As argued by Mintzberg et al (2005), the key to profitability is in fast responsive strategic processes to external market changes, rather than having a rational longer term focus. As already suggested by this review the potential of these networks can be like having a team of 'mini researchers' working for the entrepreneurial firm. Recently Neck and Green (2012) have highlighted that informal and formal processes of knowledge acquisition may be more important than the content itself, in other words, the process of supplying knowledge is critical whether or not that knowledge is relevant. The owner manager can interpret this insight into his own world views (personal constructs) and either reject or confirm

this as relevant or important. What is vital is that 'the hand is on the pulse' of their dynamic, unpredictable operating context.

Recent research on entrepreneurial learning has focused more on opportunity exploitation at the start-up venture stage and has neglected the later stages of a venture's development (Tseng, 2013). As highlighted by Hmieleski and Baron (2009), entrepreneurs who have a focus on learning skills and capabilities have higher expectations of success relating to new venture start-ups. Moreover, the behaviour and actions from this learning are associated with the role of more successful entrepreneurs (Carrier 2007; Zhao et al 2010).

As an emerging body of guiding knowledge entrepreneurial learning within the literature has promoted various models of learning, such as learning by doing (Higgins 2009; Higgins and Aspinall 2011; Crick 2011), learning by experience (Gibb, 1997; Moris et al 2012), self directed learning (Holcomb et al 2009; Tseng, 2013), reflective learning (Cope and Watts, 2007; Pittaway and Thorpe 2012), adaptive learning (Cope and Pittaway 2007; Frank et al 2012), learning through crisis (Cope and Watts 2000; Pittaway and Thorpe 2012) and social learning (Gemmell et al 2011; Howorth 2012).

What is clear from these theories is that the experience that an entrepreneur encounters through events in his world is a key facilitator in his unfolding working understanding and meaning as to his world - both in dealing with a particular event when he encounters it; and in the future when he encounters similar events when he is able to draw on the past experience to deal with this reoccurring similar event. This has critical implications as to how an entrepreneur learns, behaves and shapes his own identity (Moris et al 2012). For Moris et al



experience helps to construct reality for the entrepreneur, and the events that are experienced can have varied degrees of intensity that impact on their feelings and emotions (Baron, 2008; Moris et al 2012). And it is to the issue of entrepreneurial emotions that the next section turns.

## **2.8 Entrepreneurial emotions**

Very little research has addressed the degree that emotions in the entrepreneurial context impact on entrepreneurial decision making, opportunity recognition and implementation (Baron 2008). Recent research on emotions in a large organisational context tends to orient toward a rational controlled approach to decision making and the degree by which emotions influence this decision making process is limited (Grichnik et al 2010). However, within the entrepreneurial context of uncertainty, unpredictability and unknowable open ended change situations (Stacy 1990), it is acknowledged that within this environment emotions would play a more critical role on decision making and behaviours ( Grichnik et al 2010; Foo 2011).The importance of how emotions impact on entrepreneurial cognitive processes and thus the resultant enabling and constraining decision making processes are a crucial area to examine within the entrepreneurial field.

There has been a very limited attempt to investigate empirically how emotions and entrepreneurship are linked and specifically in a real live business context (Zampetakis et al 2008; Foo 2011). Grichnik et al (2010) discussed in their research the impact of positive and negative emotions in relation to entrepreneurial opportunity evaluation and exploitation. Their study discussed emotions having a key role to play at various stages within entrepreneurial phases and specifically their online study focused on reproducing a model case study scenario

of an opportunity to exploit. This experiment however was not within a real live entrepreneurial context so the degree that one can really assess the role of emotions within the entrepreneurial field could be considered limited, especially as a key entrepreneurial variable is risk. Emotions are linked to risk and stress (Baron 2008). The subsequent levels of stress that may be induced within a real live context would be different to the degree of replicating this in an experimental setting.

### **2.8.1 Emotions and Entrepreneurial decision making**

There are many definitions relating to emotions and the cognitive processes underpinning an individual's emotional outlook. Many authors emphasise that emotions and cognitive processes are interchangeable as facilitators of one another. In other words, how an individual is feeling at one particular time influences how their cognitive processes materialise and vice versa, if an individual has positive cognitive processes then their emotions would be more likely to exhibit feelings of joy, happiness.

Emotions can be defined as affective experiences, including such things as joy, surprise, anger, fear and hope (Baron 2008). Emotions typically occur when a situation stimulates an appraisal which is relevant for one's concerns or interests (Cote 2005). Positive emotions result when one's interests are facilitated and when one's interests are not then negative emotions are activated (Bosman et al 2005). Emotions are relatively intense and short lived (Levenson 1994; Baron 2008). However, one issue relates to whether entrepreneurs can control their emotions more as individuals than the norm, or maintain positive emotions longer to exploit opportunities. At the same time maintaining positive emotions can also negate or diminish the

impact of negative emotions on decision making processes. This is a crucial area to explore further in the entrepreneurial field.

For some commentators the pattern of cognitive feedback (linked to PCT world views) determines what emotions are experienced (Kelly 1971; Baron 2008). As a consequence, the entrepreneur that uses his or her world views as base to confirm or disconfirm there anticipated reality of an unfolding event or situation will experience positive emotions if their world views are confirmed or negative emotions if their world views are dis-confirmed (Wyer et al 2010). In some circumstances a negative outcome may be anticipated in relation to an event or unfolding situation and although this may be a negative outcome, it was anticipated, thus positive emotions evolve resulting in feelings such as relief or satisfaction in making a good judgment call. For example, if an entrepreneur who anticipates that an opportunity may not be viable or too risky has this anticipated reality confirmed, subsequently a series of positive emotions are evoked by the potential saving of time and money in not proceeding with the opportunity further. Extended learning also may be facilitated in this process which can be filtered into what is termed emotional recall (Foo et al 2010), where this emotional experience will act as a guiding lens for future similar situations.

Research by Gangemi and Mancini (2007) and Foo et al (2010) stress that the benefit of maintaining positive emotions can be holistically important to the mind-set of an individual and their cognitive processes impacting on decision making, emphasising that unrelated events or situations are impacted by one's emotional experience. For example, if one experiences fear or hope from an unfolding event or situation then the resultant emotional state can affect

unrelated events or stimuli not related to the initial cause of the emotional experience (Schwarz and Choley2003, Foo 2011). This means that emotions act holistically to a person's cognitive processes and their world views, as per Kelly's notion of the person being seen as one interrelated system and acting holistically in channeling thought processes (Kelly 1955, 1971)

Integral to the body of literature assessing the interaction of emotions and cognition is a valance-based theory approach which assesses to what degree that an event or situation is pleasurable (Baron 2008, Harmon-Jones et al 2011). Emotions, through acting as an additional informing vehicle in anticipating the outcome of an event or an unfolding situation, impact on our subsequent actions and behaviours (Baron 2008). Depending if our emotions are within a positive state or negative state, they will impact how we act, adapt and behave (Baron 1998, Foo 2011). A positive state of mind will facilitate a looser more creative construct of our anticipated reality, whereas a negative state of emotions will result in more tight and rigid constructs of the unfolding situation or event, and thus facilitate more systematic, rational solutions to the problem (Foo 2011). Controlling a positive emotional state is therefore a crucial area for entrepreneurs. Researchers Isen and Patrick (1983) in Baron (2008) highlighted the term emotion-maintenance as a key motive for emotions- facilitating positive thinking (Carver 2003, Baron 2008). Emotion-maintenance theory (Carver 2003) highlights that people in positive emotional states are trying to maintain these positive emotions and to negate and control negative states. Thus, if a person is in a positive state a problem will not be perceived as being a major issue and this will result in actions to resolve the situation being dealt with in a less problematic way (Baron 2008). In other words there will be less resources, time and energy spent on this issue. Whereas in a negative emotional state, people are more likely to perceive a

situation (or problem) being a major issue and will spend more resources, time and energy in trying to resolve the situation so as to reduce the impact of a negative emotional state (Baron 2008). It is argued here that this is partially true in relation to the latter of a negative emotional state requiring more time and resources to resolve a problem; however, with regard to an entrepreneur being in a positive emotional state and the notion of putting less effort and resources into a situation or event, then by the very nature of an entrepreneurial mind-set generally having a positive outlook, and how situations (or problems) can be subjective, then an entrepreneur may well view a problem as a positive opportunity (Schumpeter 1934, Zampetakis et al 2008). In a positive state this can motivate the entrepreneur to do the opposite, and put more time and resources in to exploiting an opportunity (Dan 2011). Within this context the entrepreneur's anticipated world views underpin their behaviour and actions and would facilitate more resources and time being allocated in driving forward and being creative to exploit the anticipated opportunity (Zampetakis et al 2008; Fox 2008).

With regard to the impact of emotions and the memory-recall concept influencing the effect of emotions on cognition (Baron, 2008), this concept assumes that emotions help facilitate world views and memories and our memories are mood congruent, meaning when we are in a good or bad mood we remember experiences that are the same as our mood (Baron 2008, Foo 2011). This leads to what is termed as state dependent memory (Baron 2008) which refers to the fact that situations can prime us to remember particular events or situations where we learned a fact that can aid us in recalling that fact when we return there. This theory suggests that our emotions serve to prime emotion congruent memories, which in turn serve as the basis for the cognitive evaluation process (Baron, 2008). The premise here is that our emotions control

perception by influencing what we retrieve from memory (Clore and Tamir 2002; Baron 2008). Therefore when individuals are in a positive emotional state, positive associations or memories surface in our cognitive processes, and similarly, when individuals are in a negative emotional state, negative associations and memories surface (Bower 1991; Fox 2008; Harmon-Jones et al 2011). Emotions underpin automatically previously used concepts and memories by facilitating their use in tasks that require constructive or creative thinking (Foo et al 2011). Here there is direct synergy to what this researcher would term an 'emotional construct' underpinned by Kelly's personal construct theory, whereby in the process of anticipating or trying out our world views (Wyer 2003; Donohoe and Wyer 2005) our emotions are very much involved in the formation of our 'world views'. From this standpoint, it is therefore critical that the more aware an entrepreneur is of their present state of emotions, and in particular the degree that they can control these emotions in a positive manner, the more effective their cognitive processes and decision making processes will be.

Both the emotion informing vehicle concept and the emotion recall concept highlight that positive emotions positively influence perception and decision-making and negative emotions have a negative effect (Fox et al 2008; Foo 2011). However, it should be noted that the emotion maintenance concept actually suggests the opposite in that positive emotions have a negative effect on cognitive performance and vice versa (Baron 2008). As stated above, this researcher would argue that this is a limited perspective and would imply that generally a positive outlook is a key driver for entrepreneurs relating to opportunity exploitation which can evolve from an initial problem or unfolding situation (Fox et al 2008). Entrepreneurial decision making

underpinned by factors of emotions can lead to an over reliance on nonlinear decision making processes for entrepreneurs (Groves et al 2011), moving away from rational analytical decision making processes. This can lead to a negative self- serving bias which can be counterproductive to effective decision making. In fact research by Groves et al 2011, highlighted those entrepreneurs in pursuit of opportunity who exclude rational and analytical decision making insight within their cognitive processes may lead to counterfactual thinking, illusion of control and planning fallacies. Moreover, entrepreneurs who have a predisposition of looking at opportunity evaluation and exploitation through the lens of intuition and emotions actually do use a rational analytical approach from recall of emotions, grounded in past experience and market insight from networks close to their market opportunity (Townsend and Hawkins 2005; Groves et al 2011). Thus, it can be argued that entrepreneurs do use some form of rational analytical insight as part of their opportunity evaluation process and this is part of taking calculated risks in the opportunity discovery process (Wyer et al 2010, Fiet 2002). However, it should be noted that there is a balance here of not overly engaging in use of rational analytical models as an entrepreneur. The likes of Fiet (2002) emphasise that the synthesis of relevant experiences and knowledge facilitating the discovery process is in line with entrepreneurial intuition, intuition defined as the act or faculty of knowing or sensing without the use of rational processes; immediate cognition. Intuition allows the entrepreneur to make judgments quickly by retrieving previous experiences and understanding of key management and market processes within a selected environment or context (Isen and Means1983; Dane and Pratt2007).

Certainly valuable with regard to the role of emotions within the entrepreneurial learning and development process is beginning to unfold, but much work is still needed to provide solid planks of understanding. One such emerging area of work is that of emotional intelligence. The following section addresses this area of research.

### **2.8.2 Emotional intelligence**

Following the line of focus on the importance of individuals controlling and managing their emotions to facilitate more effective cognitive processes and decisions, leads to what over the last 20 years has evolved as an important body of research known as emotional intelligence (EI). Emotional intelligence can have several definitions but from the seminal work of Salovey and Mayer (1990) emotional intelligence is the ability to perceive, identify, understand and manage ones emotions and those of others within a social context facilitating a good level of emotional competences and skills.

The works of Salovey and Mayer (1990) and Goleman (1998, 2001 and 2003) in particular provide a body of literature relating to conceptualisation of the concept of emotional intelligence. This has led to frameworks of key emotional abilities and competencies that at an individual level and organisation group level are seen as key facilitators in creating more successful and effective leaders (Salovey and Mayer 1990; Salovey et al 1990; Salovey and Grewal 2005; Goleman 1998, 2001). Some researchers argue that the use of logic, rationality and analysis in underpinning decision making, in fact taking away the impact of human emotions and intuition in the process, leads to better and more effective decision making (Hess et al 2011). On the other hand, there are researchers who advocate that logic and data analysis



alone are not enough, and the use of emotions and intuition is how the most effective decision making processes evolve (Salovey and Mayer 2003, 2012). Hess et al 2011 argue that both are fundamentally linked and that emotional intelligence is the necessary bridge that brings these two together. Emotional intelligence is a series of emotions and resultant behavioural skills that can be learned and practically implemented to facilitate better and more effective decisions. (Goleman 1995, 2003; Salovey and Boytis 2005)

There are three fundamental areas of insight from the body of literature on emotional intelligence which are categorised as the ability model, trait model and the mixed model (Karim and Weisz 2010; Hess et al 2011). The ability model describes individuals as having varying degrees of success in understanding and managing their own emotions and their interaction with others emotions within a social context. Subsequently individuals develop and adapt their behaviours to effectively manage these emotional related perceptions and understandings within unfolding social situations (Cherniss 2004; Hess et al 2011). We are not all good at this; the more accurate the ongoing assessment of emotions, individually and in others, will underpin more effective and optimal behaviours and actions to manage emotions within these unfolding social situations (Mayer et al 2008). Mayer et al, quoting Aristotle, highlight that "anyone can become angry - that is easy. But to be angry with the right person, to the right degree, at the right time, for the right purpose, and in the right way - this is not easy."

The trait model relates to several emotion-related self-perceptions including emotional perception (in one's self and others), emotional management, empathy, optimism and emotional self-efficacy (Mayer and Salovey 1997; Petrides et al 2007). Emotional self-efficacy

can be defined as having the confidence in one's own abilities to perform various tasks underpinned within an emotional context which may well be unanticipated (Kickul et al 2009). This concept especially relates to the entrepreneurial field where generally it is recognised that there are high levels of uncertainty within entrepreneur's business environments (Donohoe and Wyer 2005). The various EI trait models are frequently underpinned by up to 20 emotion related behavioural actions which affect how an individual manages events or unfolding situations (Petrides et al 2007; Nelis et al 2009). Trait models are designed to assess what an individual would typically do in a context that is underpinned by emotions. Here there is a big difference in what people could do or may do and what they actually do. For example, as highlighted by Salovey et al 2012, some individuals who are angry may be able to distract themselves when being angry but need external stimuli for this to happen. For example, someone asks them to calm down or to count to 10, whereas some individuals may be able to undertake this mental distraction by themselves.

The mixed model of emotional intelligence as suggested is a combination of understanding traits and abilities within a social context (Goleman 1998; Baron 2006). With this model if an individual has the knowledge to understand emotion and have the abilities to deal with emotion specific situations then they are more likely to come up with effective strategies to implement and manage in these situations (Baron 2006). Again relating to the emotion of anger, changing ones mind-set when angry to another state of mind is a good strategy to diminish ones feeling of anger. However not everyone is capable of distracting themselves in this way so the ability model focuses on what people are capable of doing in these emotional situations (Goleman 2000, 2003; Salovey et al 2012).

Baron (2000, 2006) developed the mixed model of emotional intelligence assessment known as the emotional intelligence quotient EQi. This incorporates the personality aspect of an individual's mood, optimism and happiness along with assessing how that individual deals with surviving the daily demands and challenges in life. The EQi is a self-reporting questionnaire that uses a Likert scale (1-5) of how an individual assesses positively or negatively their level and ability within emotional focused situations, such as emotional awareness and regulation, emotional empathy, flexibility, adaptability, stress management, personal moods and happiness (Salovey et al 2012). In total 133 questions are assessed and the results give a level of low or high emotional intelligence for that individual, high EI results predicting more successful and satisfied life outcomes, such as in personal relationships, career success, happiness and health (Baron 2006; Mayer et al 2008)

Salovey et al 2012 review of intelligent constructs from IQ traditional intelligence to social and emotional intelligence from over the past 20 years highlighted the rationale to explore and include in future research a relatively new construct known as 'Hot Intelligences', which is specifically linked to emotions but how these impact more directly to an individual on a personal level. Emotional intelligence focuses on the individual to be able to understand, manage and regulate emotions in one's self and others and to apply this within a social context (Mayer et al 2008); whereas this new construct is defined as a personal intelligence construct, which has more direct relevance to one's personality. Salovey et al (2012) define personal intelligence as involving 'the ability to identify information about personality, to reason about one's own and others' personalities, and to use that knowledge to make personal choices and to systematise one's plans'.

Mayer et al (2008) and Salovey et al (2012) define hot intelligences as specific information that has more direct personal relevance, that is meaningful and often pleasurable or painful, so potentially impacting on one's emotions, self-assessment, personal intentions, self-esteem and those with whom one interacts within a social context. This information is fluid and dynamic, having an emotional, social and practical focus, and is one that can be warmed up to or that might make one's blood boil— hence “hot” (Salovey et al, 2012).

There has been an expanding body of literature from these key models assessing the importance of emotional intelligence in predicting an individual's life successes. In a review by Salovey et al (2012) of emotional intelligence testing linked to ability models they stressed that out of 120 studies up to the year 2012 there was significant evidence validating the construct. Furthermore, they highlighted there were diverse outputs, for example, in measuring emotional intelligence as ability and not as a mixed trait. High emotional intelligence measures showed that individuals would have better social outcomes, whereas individuals displaying lower measures of social outcomes suggested they were more likeable by others, had better family and intimate relationships, and would be more well-balanced psychologically (Mayer, Roberts and Barsade 2008; Salovey et al, 2012).

Thus, regarding emotional intelligence there are more assessment models yet to be developed which are more specific to the working environment, there is a limited amount of research to specifically test the role of emotional intelligence within a live working context, and specifically relating to the unknowable, unpredictable environments of entrepreneurship. Arguably the role of emotional intelligence, including incorporating the growing area of hot intelligences that are

surfacing is a key future area for investigation in the entrepreneurial field. Thus, understanding emotions and managing ones emotions and others within a social context is important, but taking this further and understanding one's own personality and the personalities of others is an additional crucial area of skills and competencies (Salovey et al, 2012)

What is clear is that within the dynamic fast paced technology-led changing social and work environments we live in today, our management of emotions, cognitive process and our overall wellbeing will be underpinned by emotional intelligence. The specific emotional and competencies we build up in this area will play a greater role in people's life successes (Mayer, Roberts and Barsade 2008; Salovey et al 2012). More recent work on the study of emotional competences and their potential impact on the management of organisations is beginning to unfold. One such key area of understanding is that of the 'Consortium for Research on Emotional Intelligence in Organisations' whose generic competence framework (CREIO, 1998) is utilised as frame of reference to guide this study and is included in the end of thesis appendix.

## **2.9 Building the Conceptual Framework**

Key partial frames of guiding insight have been teased out of the literature review and integrated into a diagrammatic conceptual framework as per fig 2.1 below.

The sub-parts of theses frames of insight are set in interlinked 'knowledge boxes' and within the diagram represent key headings of knowledge base to be used by the researcher in informing the remainder of the research process. As such the underlying knowledge which those 'knowledge headings' hold is already embedded within the researchers mind and/or

sitting within and directing the researcher back to the existing relevant areas of literature if and when needed.

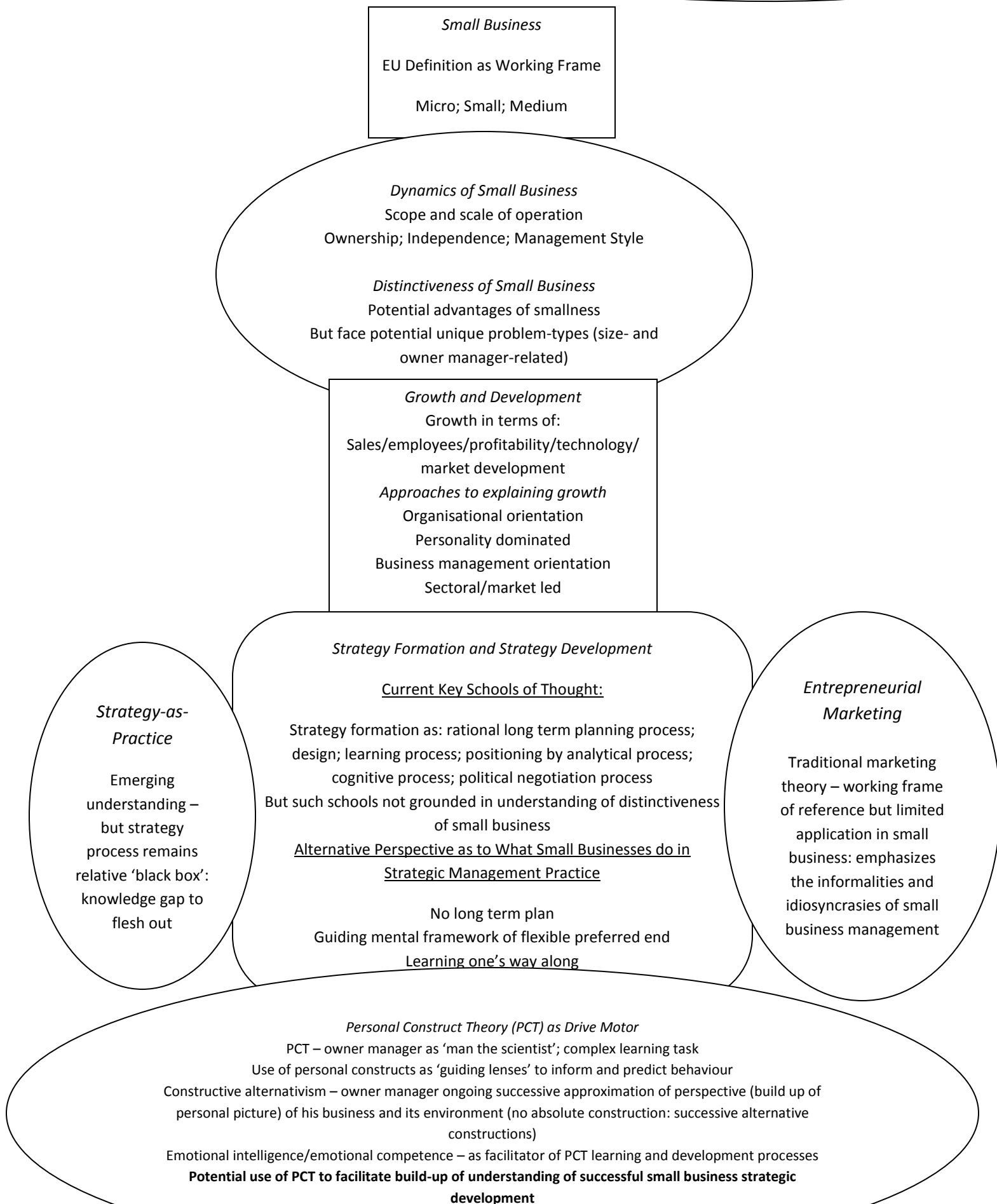
The conceptual framework, in the terminology of this study approach, represents an overall researcher 'personal construct' made up of his sub-personal constructs, his sub parts of understanding (the 'boxed' sub frames within the diagrammed conceptual framework whole). [Note: the role of PCT as drive motor to this study is elaborated in the research methodology chapter]. The conceptual framework as it is presented at the end of this chapter thus sits in its diagrammatic form as a 'static snapshot' of key guiding areas of the literature - but in practice is a point in time representation of a dynamic process conceptual framework/researcher personal construct which the researcher is progressively subjecting to approximation- re approximation in the light of his ongoing design, development and implementation of the study research methodology and overall research process.

In summary, the conceptual framework in this time-slice diagrammatic representation is guiding the researcher orientation toward:

- Focus upon the EU guiding employee-based definition of what constitutes micro and small businesses
- The dynamics of small business development and the distinctiveness of small business versus large companies
- What may represent growth in small businesses and current perspectives as to what facilitates and drives growth

- Current understanding on strategy formation and strategic management with its integral, but not fully complementary, grains of truth understanding - and the essentially large company orientation of much of that existing strategy understanding
- Alternative perspectives as to what is presently known regarding what small business do in strategic management practice
- The need for and potential to ground much of the large company oriented strategic management knowledge base in understanding of the distinctiveness of small business
- An orientation in most much strategy research to focus on strategy *process* and treat process as some form of 'black box' - and thus a need for research focus that gets further inside the black box of practices, actions, activities, behaviours and abilities that make up strategy process
- The potential for anchoring-in PCT as drive motor to the research
- Integral to such application of PCT, the potential to more rigorously incorporate the role of emotions and owner manager emotional intelligence and emotional competences capability

**Fig 2.1 Multi-discipline Conceptual Framework – the Underpinnings for Informing Action Research-Based Investigation of Small Business Strategic Development**





### **2.9.2 Chapter Conclusion**

This chapter has presented the literature review which informs this study as a dynamic epistemological bootstrapping process.

Key areas of relevant literature have been reviewed as part of an overall process, incorporating as facilitator of interpretation and critique researcher existing experience and perspectives of the small business sector and early days interface with the world of small business practice.

Key partial frames of guiding insight have then been teased out from the literature review in its totality and embedded within an end of literature review conceptual framework. The conceptual framework as diagrammatically presented within the chapter can be construed as a 'static snapshot' of a dynamic bootstrapping process – the conceptual framework informs the design and development of the research methodology, which itself is being treated as an 'ongoing crafting process', adjusted in the light of learning through its implementation. As such the conceptual framework is also subjected to ongoing dynamic adjustment in the face of unfolding learning and development through the research process in its entirety.

## **Chapter 3: Research Methodology**

### **3.1 Introduction**

This chapter focuses upon the elaboration of an innovative action research-based methodology convivial to the effective addressing of the objectives of the study. The underpinning approach to research methodology development is that of 'ongoing crafting process' - component parts of the research process are subject to progressive refinement and enhancement in the light of ongoing learning and feedback throughout their implementation.

Design and development of the research methodology builds out of and onto the epistemological bootstrapping process conducted within chapter two. The chapter commences with a restating of the overall research aim and integral objectives as context for build-up of the research approach. The issue of compatible philosophical foundations of the research is then considered and given a key plank status to the build-up of the overall methodology. The adopted philosophical foundations of the research are then utilised as partial lead in to the detailed rationalising of the use of the epistemological bootstrapping process (completed in chapter 2) as 'base facilitation component' of this study and the positioning of the epistemological bootstrapping process as an integral part of the whole research process. The chapter then proceeds to elaborate the selected research method, giving detailed attention to its component parts and the role of those parts within an ultimate integrated 'research approach whole'. Of particular significance, given the action research mode of study, is the intertwined nature of the data collection activities, progressive build up of insight and understanding and analytical processes and actions. And the way in which the selected base

theory that drives the research binds the data collection and analytical processes and activities into a 'learning and development whole' - which simultaneously facilitates a practical problem solving component of action research within the participant small businesses and progressive build up of understanding of small business strategic development. Integral to this component parts treatment of the methodology is consideration of the unique 'partnership role' of the academic practitioner researcher and small business owner manager as co-researchers, including the notion of reflexivity within PCT and how data collection and analysis approaches have been developed to facilitate co-researcher reflexivity. The chapter continues with attention to identification of and longitudinal access to the participant action research case firms and consideration of the issue of quality and reliability of research process and findings. The chapter concludes with a summary overview of the research process in its totality.

### **3.1.2 Restating the Study Aim and Objectives**

Partially firm-up aims and objectives of the research were initially determined and used to initiate an epistemological bootstrapping process which drew upon literature review and parallel early interface with the world of small business practice (completed in chapter 2 and described and rationalised in more detail below as an integral part of the overall research approach of the study) to firm up and elaborate those aims and objectives.

The finalised firm up study aims and integral sub-objectives are restated below as context for elaboration within the remainder of this chapter of the research methodology developed to facilitate attainment of those objectives.

*Overall Aims of the Study:*

*Academic aim:*

To critically examine and enhance understanding of strategic development processes and strategic management within growth-oriented small businesses

*Small business practice aim:*

To anchor-in existing, and where appropriate develop new, academic and world of practice understanding of small business management to facilitate consolidation and ongoing sustained strategic development of the small businesses participant to the study

*Integral Sub-objectives:*

- To develop and design an innovative action research-based case study methodology convivial to the production of parallel practical and academic small business strategic management research and business development outputs [thereby facilitating advances in small business management knowledge and small business management practice which are capable of further advances – and advances in research skill knowledge which provides the tools to achieve that further advance in small business management knowledge and practice]
- To undertake critical strategic development analysis of participant small businesses, identify potential strategic development paths available to those businesses and produce and, where appropriate, assist implementation of strategic and operational

plans of owner manager (from the identified strategic development path options)  
selected development paths

- To critically examine the nature and form of strategy development processes in growth-achieving micro and small businesses
- To identify and analyse those management practices and actions, learning processes and activities, and individual abilities and behaviours which constitute micro and small business strategic development processes (i.e.: integral 'strategy as practice' components of the relatively 'black box' of strategy process) [with specific focus on the participant small firms]
- To elaborate a model to inform effective strategy development and strategic management practice for entrepreneurial growth-seeking micro and small businesses – incorporating alternative and new small business management processes and actions conceptualization and low level theory convivial to leading small business practice, and to enhancement of existing academic small business knowledge bases

### **3.1.3 Philosophical Foundations of the Research**

#### **(a) Traditional philosophical standpoints-two base methodological camps**

Philosophical foundations of research are founded upon the adoption of compatible epistemological-ontological foundations. Traditionally, philosophical standpoints within

management research can be viewed as falling into one of two methodological camps - two base designs which Thorpe (1988) equated to fishing and trawling.

Drawing on Wyer's (1990) utilisation of the perspectives of Thorpe (1988), the trawler man prefers to dredge the ocean to pull out as many fish as he can. Assessment of types is done by correlation, comparison and examination of what has been caught in the trawl.

Integral to this stance is an acceptable epistemological/ontological combination of positivism-external realism. External realism views reality as independent of the researcher studying it.

Positivism views the researcher's observations as independent of his/her values and beliefs (value-free knowledge is possible). Thus, it is the independence, if maintained, which provides the rigor of the research and the key propounded benefit of such a research approach is the potential for generalisation of findings.

The fisherman, on the other hand, believes that in order to understand what is in the sea all one needs to do is pull out one or two fish and examine them. By studying how one fish works, one would have a good approximation of how they all work (a type). Studying one type, one or two of these, will give solid insight into types of all sorts.

An acceptable epistemological-ontological combination for the fisherman is normativism-subjective realism. For understanding of such variables as behaviour, the researcher must get close and analyse in detail. Normativism is based on the possibility of deriving conclusions expressing a value judgment and dismisses completely the fact-value distinction. Subjective realism sees each person constructing his or her own view of reality. Rigor requires the close and intimate observation only possible in analysis of small samples at any one time. Such

analysis does not permit the independence between researcher and the researched, or between fact and value

Effectively, the two very different philosophical standpoints can be said to be appropriate underpinning foundations of respective quantitative and qualitative research approaches – with positivism-external realism being utilized to found quantitative survey type studies; and normativism-subjective realism deemed appropriate in qualitative case studies.

### **(b) An alternative philosophical standpoint**

The work of Archer (1988) in elaborating the alternative philosophical standpoint of internal realism underlines the potential for ‘methodological rapprochement’ in terms of the co-existence of the two different research strategies (quantitative and qualitative). Wyer’s (1990) build-out from Archer portrays that from the compatible philosophical standpoint of non positivism-internal realism knowledge is viewed as neither value free (positivist) or positioning fact and value as totally indistinguishable (normativism). The underlying view of reality rejects the possibility of reality existing independently of our construction of it (external realism) - and rejects the notion of each person constructing his/her own view of reality (subjective realism).

Effectively, internal realism proffers an inter-subjective view of reality- an inter-subjective construction of the shared human cognitive apparatus (internal realism); and facts and values as being intertwined and hard to disentangle, not indistinguishable as in normativism. Both fact and value are thus viewed as being involved in the development of scientific knowledge (non-positivism).

And such a philosophical standpoint thereby offers a bridge for management researchers between the 'fisherman' and 'trawler man' management research camps.

**(c) The philosophical foundations of this study - constructive alternativism**

The compatible epistemological-ontological combination of non positivism-internal realism does have potential utility as underpinning philosophical foundations of this study. The action research approach in its use of partnership academic practitioner-small business owner manager researchers does, effectively, construct an inter-subjective reality.

But it is the utilisation of Kelly's (1955) Personal Construct Theory (PCT) as drive motor to this research which naturally positions the study upon the philosophical foundations that underpin Kelly's theory - that of constructive alternativism. Integral to Kelly's build up of PCT is the proposition that there will always be many different ways in which an event or a situation can be interpreted or given meaning. Although there is only one reality, that reality is experienced from the perspective of each of us - we each put our own individual interpretation on, or undertake personal construction of, the particular reality (event or situation) that we are faced with. One individual may put a more useful or practical construction on an event than another - for example, a seasoned doctor is likely to place a 'better' interpretation on a person's illness symptoms than an 'A level' biology student or the unwell person's mother. But no interpretation can be considered to be a complete and final construction. For Kelly, circumstances and the world in which they sit are far too complex and complicated for an individual to be able to complete a perfect and absolute construction.



As Harri-Augstein et al (1995) emphasise, in a constantly changing world man is incapable of effecting an absolute construction of the environment that he is trying to understand and thus has to be content with making a series of successive approximations. All of his present interpretations of his world are open to revision or replacement in the light of his testing them out in practice.

Thus, we all produce our individual interpretations of a reality event that faces us. And some interpretations will be better than others - though to each of us our own interpretation will be of some value. But if we find that interpretation is not standing us in good stead, it is not very effective in helping us, we can produce an alternative interpretation, a different construction of that reality.

Effectively, then, we as individuals all produce our own construction of an event and subsequently test out this interpretation and perspective in practice through our experience. If we find this construction (this personal construct) is useful to us in practice we will consider it to have been validated and mentally retain it for future use. If we find that the construction does not serve us well, we can revise it or replace it.

We thus proceed through life by placing an 'approximation' interpretation on realities which face us - and continue with the undertaking of a series of approximations - re-approximations. Such is the philosophical standpoint of constructive alternativism which underpins this study - manifesting itself as the 'engine' in an action research mode of examination of strategic development and strategic development processes in growth-oriented small businesses.

### **3.2 A Base Facilitation Component of the Study – the Epistemological Bootstrapping Process**

The work of Archer (1988) and Wyer (1990) in its orientation toward the compatible philosophical foundations of non positivism-internal realism drew attention to the inevitable value-laden nature of our observations and thus the need to clearly spell out any underlying values and theories at research design stage. Moreover, Archer (1988) emphasised the need for the researcher to ensure he or she commences from a solid starting point with regard to possession of relevant understanding with regard to the research to be undertaken. And to this Wyer (1990) added the need to recognise and address key shortcomings and pitfalls associated with management research, and small business research in particular, and to use these shortcomings to help inform the approach to research study design and implementation - such shortcomings include, in addition to Archer's above mentioned issue of adequacy of researcher start point of research focus knowledge, limitations associated with static, single one-point-in-time 'time-slice' focus on businesses under study, the danger of treating small businesses as 'a little big business' and a tendency by some to view case study research as 'little more than common-sense storytelling' (these and further limitations are explained and utilised later in this chapter to inform design of the analytical processes of the study).

In totality, therefore, the works of Archer (1988) and Wyer (1990) have pointed up the requirement to recognise and make explicit key inevitable underlying values and theories at research design stage of study and to develop understanding of and utilise as informing vehicle key shortcomings and pitfalls associated with small business management research.

The Archer and Wyer facilitator to these requirements is the application of an 'epistemological bootstrapping process' - a process which draws upon, extends and enriches the researcher's foundation knowledge at the opening stages of development of the research project by utilising the existing literature and other sources of relevant understanding to produce a 'partial framework' of knowledge and concepts to give a commencing foothold in the research. For Archer (1988) an epistemological bootstrap 'takes the form of a 'proto-interpretative theory' which is used to read in data and loads those data with its own assumptions. Crucial insights are contained in this proto-theory, insights which are not really there to be corroborated by disconfirmation, but rather to be instrumental in raising issues for investigation in the research. These investigated issues themselves producing findings which can be corroborated and achieve factual status'.

For Archer (1988), the role of epistemological bootstrapping is not seen as part of the research - but rather a process of 'personal discovery'. Wyer, however, adopted a version of Archer's epistemological bootstrapping process and argued that 'an experienced management practitioner with partial research experience may need to undertake initial research on his new research project to consolidate his knowledge base into the 'initial bootstrap' to ensure continuity of research and avoid the dangers of fragmentation and adhocacy'...thus 'initial formal research is necessary to consolidate the would-be researcher's existing knowledge base with current occurrences and advances in the field to be researched (in the world of practice and academic research in the management field)'. For Wyer (1990), therefore, 'epistemological bootstrapping' becomes an integral part of the research.

Within this research three issues emphasise the benefits of adopting an epistemological bootstrapping process as a base facilitating component of the study: (a) the adoption of the underlying philosophical standpoint of constructive alternativism similarly (as with that of non-positivism internal realism) points up the need to clearly spell out underlying values at research design stage; (b) shortfalls and pitfalls associated with management research pertain to this study and need to be recognised, addressed and used to inform this research; and (c) the researcher is an entrepreneurial academic (an academic and management practitioner) whose existing knowledge and experience needs to be consolidated with insight of current occurrences and advances relevant to the field of focal study in this research. For these reasons a version of epistemological bootstrapping is used to foothold this study - and, for the three reasons in their totality, the bootstrapping is treated as an integral part of the research process. This epistemological bootstrapping process has, in the main, been conducted within the previous chapter literature review which culminated with a diagrammatic conceptual framework epistemological bootstrap which is in turn being used to inform the remainder of this research study, including build up of the overall research methodology to which this chapter relates.

### **3.3 Personal Construct Theory as the Drive Motor of the Study**

From the philosophical standpoint of constructive alternativism Kelly (1955) has elaborated a theory of the whole person. And for Kelly that person, each one of us as human beings, could be viewed as 'man the scientist' - we each consistently strive to construe our own world, and parts thereof, to build personal theories of the world which can inform our behaviour. Within

this section the main parameters of personal construct theory are summarised to capture key elements of an overall base theory which in effect constitutes the 'drive motor' of this study.

The key PCT elements which guide and inform this study are presented below, 'constructed' through utilisation of integrated perspectives and couching of key scholars of PCT (Kelly 1955; Beck 1980; Bannister 1977; Bannister and Fransella 1986; Pecklow (date unavailable); Harri Augstein 1985)

**(a)'Man the Scientist' - construing events or situations that arise**

Man, and woman, (hereafter referred to as a common 'he') acts as an everyday layman scientist. He builds his own personal theories of the world that he encounters, based on his past experiences. These form personal constructs (mental models) which inform his future behaviour. A construct is that person's representation of a reality (an event or a situation), mentally built up by that individual and then tested out against that reality when he uses it in practice to guide his behaviour: using his personal construct as guidance, he anticipates that if he behaves in such a way then the outcome will be 'x'. He can personally construe situations or events in different ways - he can adjust or change his personal constructs if an existing construct does not prove useful in this new situation. Some constructions are better than others - the better personal constructs support more accurate predictions about events.

Man thus is a kind of 'scientist' - building his own personal theories to test: but some people are good scientists and some are poor scientists

**(b) He seeks to predict and thus control events**

The basic postulate of PCT is that human behaviour is shaped by the way a person anticipates the future. He formulates constructs which he will use to aid him in his predictions - i.e.: 'if I behave in this manner in this situation, this will happen'. He thus uses his existing personal constructs to identify and deal with arising change events. Change situations that are similar to those encountered in the past can be dealt with using existing personal constructs. Existing personal constructs will be inadequate to deal with change situations that are completely new to a person - he will have to formulate a new personal construct. In general, he progressively seeks to improve his constructs to provide better guidance for his future behaviour (either by slightly altering existing ones that are more or less adequate for an arising situation or developing new ones when a totally new situation so needs)

**(c) He actively seeks to make sense of his environment**

Effectively, he looks at the world through a kind of mental spectacles - his personal constructs. He views the realities of a situation with which he is faced through the spectacles - but the view through the spectacles is not always good. He constantly creates his own way of seeing the world (his own personal constructs) - he is not passive in letting the world or its parts impose on him. He has the creative capacity to represent the environment - not merely react or respond to it. All events and situations are subject to alternative constructions because he can represent his environment, he can place alternative constructions on it – if a first personal construction of a situation is of no help to him he can produce another one

#### **(d) Successive approximation**

Absolute construction of the world or its parts is not feasible - so we as individuals make successive approximations of reality. We can assume all of our present interpretations of the world are subject to revision or replacement. An individual can 'try on for size' worldviews of other people (try on their personal constructs) - gain other perspectives to help update or replace his own existing personal constructs. He can revisit his own worldviews and combine facts and insights into more productive combinations. The truth the theories attempt to fix are successive approximations to the larger scheme of things which slowly they help unfold (knowledge and truth development as continuum- not as nailed down absolute truth)

#### **(e) Re-stating key elements – how we test successive approximations:**

Constructs are used to predict how things will turn out. They are shown to be correct or misleading by testing them out - we test a construct against subsequent events: we test out our constructs in practice. Our constructs guide us - 'if I do this action, I expect this to happen'. If it does happen the construct is confirmed - if it doesn't the construct is disconfirmed and has to be adjusted or replaced. So, man builds constructs and tries them on for size. He tests successive approximations piecemeal - test the construct in test-tube proportions. If potential difficulties relating to the personal constructor issue to which it relates appear to be great, he will seek some (early as possible) indication on possible outcomes of his 'experiment' (his 'trying out'). If an existing personal construct proves useful and appropriate when used in practice, Kelly terms this as being 'validated' ('confirmed') - this process is known as 'definition': the construct remains in its same form for future use;

or has needed only some slight adjustment. If an existing personal construct proves to be inadequate in practice, then the individual has to replace it or make significant adjustment to it - the personal construct is 'invalidated' ('disconfirmed') and when replaced by a new personal construct has gone through a process Kelly terms 'extension'. Just as constructs are used to forecast events, so they must also be used to assess the accuracy of the forecast after the events have occurred

### **3.4. Re-approximating Personal Construct Theory - Elaborating the Role of Emotions within PCT**

The underpinning approach to research methodology development is that of 'crafting process' - the research approach itself is subject to researcher personal construct construction which is approximated-re approximated in the light of learning and feedback from ongoing implementation activities throughout the research process (progressive confirmation or disconfirmation of the research process component parts). The treatment of emotions within PCT is one such key area where learning from owner manager behaviour during the research process and iterative interface with areas of the literature have led to adjustment of the role of emotions within PCT as drive motor to this study and its use in underpinning the research process interaction with the study key informants. The following sub-sections elaborate emotions-related that re-approximation of PCT.

#### **(a) Kelly's Perspectives on Emotions within PCT**

Kelly never intended his theory to be absolute. Indeed turning application of the theory onto the theory itself, points up the potential for successive approximation of, and adjustment to,



the theory and its elements. One such area of potential re-approximation and refinement relates to Kelly's somewhat hazy treatment of 'emotion' in his original elaboration.

Many of Kelly's critics and reviewers have emphasised how he left the issue of emotions within PCT extremely unclear. Kelly did incorporate four important emotions into his theory, threat, guilt, anxiety and fear and how he saw them impacting on personal construction. But he did not approach emotions in a way that the layman, or indeed many psychologists, understands them in everyday life - even to the point of applying his own unique definitions to the four emotions he used. Lester (2009) points up that 'Kelly noted very early in the build up of his theory of personal constructs that the theory had no place for emotions'... but continues to emphasise that in providing definitions of threat, guilt, anxiety and fear Kelly therefore 'did have a small place in his theory for emotions'.

Kelly's position on emotions has over the years been rejected and addressed by a number of theorists- but arguably protagonists are still yet to produce convincing useful working parameters. There remains therefore the potential to re-couch parts of Kelly's base theory through more rigorous treatment and integration of the concept of emotions and how emotions can stimulate, facilitate or constrain personal construction, and thus personal learning and development. The aim in this study is to attempt to build out of and onto interpretation of Kelly's foundation perspectives regarding the treatment of emotions within his theory. And such 'this researcher' interpretation of Kelly's intentions is here derived from a combined consideration of the writings of Kelly himself and, since his passing on prevents the asking of him directly to clarify areas of haziness or shallowness of understanding, from the

parallel consideration of the writings and interpretations of others as to Kelly's theory and apparent intentions.

Kelly went to some considerable lengths to dismiss the traditional cognitive psychology division of the person into 'cognition' and 'emotion' - thought and feeling, reason and passion. Banister and Fransella (1986) highlight how 'Kelly's constructs about transition are defined to be a unity theory and so avoid the dualistic notion that inside each of us are two persons: a 'reasoning' person and a 'feeling' person, these being unrelated except that each hinders and obstructs the purpose of the other'... 'Personal construct theory provides an integrated view of the person by seeing emotion as neither more nor less than construing in transition. Thus the person is seen as unity within a unified psychology'. Banister (1977) emphasises how an individual's logical processes can be seen to have a strongly passionate component, with emotions an integral part of human exploration and understanding. Emotion within PCT 'is seen as a person's awareness of the process of construction transition; if genuine experiencing of events takes place, it therefore must be accompanied by emotion' (Banister and Fransella 1986). More so than other cognitively-oriented theories of personality, 'PCT places a strong emphasis on emotional experiences, understood as impending transitions in one's fundamental construct for anticipating the world'...and embraces 'a delicate interweaving of meaning and affect' (Scheer and Walker 2005).

### **(b) Re-couching the Role of Emotions within Personal Construct Theory**

The point of departure for treatment of emotions within this study's utilisation of personal construct theory is thus that of Kelly's integrated view of the person. Emotion in this research is

seen as a key level of awareness of the process of an individual's personal construction in transition. Emotion as well as cognition and behaviour are thus an integral part of construing. Within this sub-section an attempt is made to put further flesh on these relatively bare bones of Kelly's placement of emotions and their role within his theory - and from this point on personal construct theory is subjected to its own parameters in that it is itself being successively re-approximated within the personal constructs of this researcher: with the result that it will be a version of personal construct theory (not wholly Kelly's) which informs and drives this research.

More recently, ongoing (non-PCT related) research into the concept of emotional intelligence and associated emotional competences (CREIO 2013; Goleman 2004;1998; Salovey and Meyer 1990) and the need to more effectively accommodate consideration, understanding and control of emotions within a business management context, underlines both potential and requirement to give careful consideration to just what role emotions do or could play within personal construct theory and thus within the personal construction process of individuals.

One source of such potential is Baumeister et al's (2007) dual process theory of emotional phenomena. For Baumeister et al 'emotions can occasionally cause behaviour directly, but human conscious emotion operates mainly and at best by means of its influences on cognitive processes which in turn are input into decision and regulation processes'.

Emotion thus serves as a stimulus to cognitive processing; the main direct impact of emotion is to stimulate cognitive processing, not behaviour. Fundamental to Baumeister et al's dual process theory are two distinct and yet interconnected forms of emotional reaction: (a) 'affect'

which is automatic affective reactions - simple and rapid and may guide behaviour and quick reactions. Probably, they suggest, as a quick twinge such as liking and disliking something; and (b) 'emotion' which is fully fledged consciously experienced emotional reaction.

For Baumeister et al emotions influence behaviour as a feedback system. 'Conscious emotion commands attention and stimulates analysis, learning and adaptation, often occurring in the aftermath of behaviour and its outcomes'. Emotions stimulate cognitive appraisal, reflection and learning to become translated into specific mentally held programmes with regard to what action or behaviour should be adopted. 'Behaviour' (as distinct from cognition and emotion) refers within Baumeister et al's theory to physical or meaningful action and includes speech acts. With 'emotional expression' considered a special case of behaviour resulting from powerfully felt emotions manifesting itself as, say, smile, cry, scream or facial expression. The predominant purpose of emotion is, then, to influence behaviour - and to do this, in the main, 'by contributing to the updating process of a person's set of 'if-then' contingencies in his crucial bank of programming'. Such 'if-then' sets, Baumeister et al feel, may need to be updated quite frequently.

The mechanics of the 'if-then' updating process rests in emotion providing feedback about recent actions - and implicitly by the adequacy of the 'if-then' rules which guided those actions. In the main a person's positive emotions will validate the existing 'if-then' rule in use: the positive emotion is a signal that denotes the person's action was successful and the 'if-then' rule was effective. Negative emotions on the other hand suggest that the person's behaviour

was unsuccessful and that the 'if-then' rule needs revision. And a newly revised or new 'if-then' rule will be put in place to guide future behaviour.

Emotions thus contribute significantly to learning for future occasions from one's own experience - the more intense one's emotional state the more cognitive reflection that emotion is likely to stimulate: negative or bad emotions often follow on from failure or unacceptable outcomes in a situation and are likely to promote detail-oriented processing whilst positive or good emotions following on from acceptable outcomes are likely to produce focus on generalities and reinforcing cognitive processing. Moreover, Baumeister et al highlight how emotion also contributes to learning from externally generated information by focusing attention on those strands of information important to the individual and initiating cognitive processing thereon - and filtering out less relevant information that does not generate an emotional response.

Such perspectives on how emotions shape behaviour provide opportunity to refine Kelly's base exposition of PCT and his treatment of emotions. In place of his limited focus on four specific emotions, and his idiosyncratic definitions of those four emotions, the potential exists to integrate the prospect that all human conscious emotion shapes behaviour, in the main not directly but via its influence on cognitive processes - through feedback, anticipation and reflection. Conscious emotion is 'heavily situated within cognitions and is normally itself the result of cognitions, especially evaluations' (Baumeister et al). Its influence on cognitive processes is in turn input into decision and behaviour regulation processes. The main direct impact of emotion is thus to stimulate cognitive processing, not behaviour. But, a key parallel

existence of emotion as 'affect' sees people also having automatic affective reactions which are simple and rapid and can guide behaviour and quick reaction - in for example heat of the moment situations requiring an individual to act or behave immediately (for instance, confronted by a lion - 'affective emotion' instructs 'run').

Such treatment of emotion within PCT also provides refined 'understanding context' for exploring how the level of an individual's emotional intelligence and emotional competences enhance his use of emotions to, via his cognitive processes, shape his behaviour. For example, the emotional competence of self awareness in the form of emotional awareness involves one recognizing one's own emotions and their effects - for instance, having a high level competency in realising links between one's feelings and what one thinks and does and says. Or the emotional competency of self control in terms of managing one's own impulsive feelings and distressing emotions well; or thinking clearly and staying focused under pressure. Or with regard to social skills and awareness in assessing the emotions of other people: such as a high level emotional competency of empathy with an ability to be attentive to emotional cues and listen well and see a situation through their eyes and from their point of view - and being able to use this to inform own thinking and behaviour.

The issue of how one person's emotions may influence the behaviour and actions of another individual is, indeed, signposted by Baumeister et al (2007) for future research - they suggesting, for example, that 'people may act in the hopes of eliciting or challenging each other's emotions...' and '...people may anticipate how others will feel'...or they may 'deliberately act emotionally so as to induce emotion in another person: for example, anger or

disappointment may evoke guilt or remorse in the hope that the other will learn a lesson and not repeat some unlikeable behaviour'. Certainly, from a small business development standpoint, an owner manager's ability to recognize, manage and act upon both his own and other people's emotions is a potentially key facilitating input to achievement of sustained business growth.

Fig 3.1 presents the PCT-based individual learning and development process in the form of an adapted version of Kelly's (1955) and Beck's (1980), creativity cycle crafted within this study to accommodate the potential enabling and constraining contribution of emotions to that learning and development process through the anchoring-in of the base parameters of Baumeister et al's (2007) treatment of emotions as key stimulator of cognitive processing.

### **3.5 Embedding the Individual Learning Process into a PCT-based Action Research Strategic Learning and Development Path**

#### **(a) The initial stages of the action research strategic learning and development path**

The case study investigation of each participant small business within this research is essentially 'problem-solving'- or 'business development objective'-oriented and personal construct theory based.

The 'action research strategic learning and development path' within this study represents the path of actions which the academic practitioner researcher and his partner owner manager undertake to build up understanding of the historical strategic development and current strategic position of the participant small business, potential strategic development

opportunities available to that small business and choice and implementation (or part implementation) of at least one of the identified strategic development opportunities. The action research strategic learning and development path in its totality (described in the following section) is underpinned and informed by the academic practitioner author's perspective of all people as 'man the scientist' - it is thus driven by the PCT-based individual learning and development process creativity cycle elaborated in the previous section and presented in diagrammatic form in Fig 3.3.at the end of this chapter.

The PhD researcher as academic practitioner and participant small business owner manager are located as co-researchers within the project - and a mutual unfolding of understanding of the current personal construct perspectives of each of these partner researchers with regard to the small business under investigation, and understanding of the focus and parameters of the particular development project in hand, forms the starting point of the project.

The project development process is facilitated by learning conversations and learning interfaces - between the co-researchers; and between the academic practitioner and external sources of learning and development. Such external learning sources include key informants on the boundaries of the participant small business's activities; and secondary knowledge sources such as economy analyses and market sector reports.

The role of the initial co-researcher learning conversations is to facilitate through in-depth conversation and meaningful dialogue the making explicit of each other's perspectives and understanding regarding the participant small business (and specifically the development project in hand) - enabling each partner researcher to get inside each other's personal



constructs: and 'try on for size' the perspectives, views and understanding of the other and to empathise.

The project start point is made absolutely clear to the owner manager by the academic practitioner: no matter how much pre-project preparatory research the academic practitioner has undertaken or how much project-specific expertise he holds, the owner manager is the 'expert' director of his own business and it is he who holds the 'expert base knowledge' from which to ground and to drive forward the project. Utilising this as starting context, the key aim of initial co-researcher learning conversations is to enable the academic practitioner to build up a reasonable depth of understanding of the small business, its enabling and constraining external operating context and the identification and mapping of key requisite project development actions and activities.

#### **(b) The action research strategic learning and development path in its totality**

A processual frame of reference has been developed to guide the academic practitioner in his learning and development interfaces with the owner manager which in turn fosters consistency in approach to each participant small business. This builds out and of enhances the work of Wyer (2004) and Wyer's work as utilised by McCarthy (2011) and is elaborated in the form of requisite 'learning and development activities' which in their totality form the full process PCT-based strategic learning and development path which underpins the action research project.

Whilst reflecting Lewin's (1946) portrayal of action research as a cyclical process of change and reinforcing Winter's (1989) conceptualisation of action research as an ongoing transformational

cycle of theory informing practice which in turn fires the refinement of theory, the PCT informed 'action researching' within this study also makes explicit the likelihood that co-researcher learning will involve iterative learning activities and a sometimes messiness in learning. Integral to which is a desire by both the owner manager and the entrepreneurial academic to be looking for (and occasionally yearning) the chance to test out through action at earliest opportunity their newly forming personal constructions of the issues surrounding the focal project in hand – a kind of incremental confidence building through a constant reinforcing that their emerging personal constructs are providing a progressively improving picture of the project issues upon which they are focussed (or identifying the need to effect adjustment to or replacement of those personal constructs which prove to be inadequate).

There is thus within this study a *broad following* of a traditionally portrayed cycle of action research which for Susman (1983), (in putting a little more flesh on Lewin's (1946) three stage action research cycle) suggests involves five phases of: diagnosing the problem or issue; action planning alternative courses of action; taking action with regard to the selected action course; evaluating the consequences of the action; and identifying areas of learning from the findings and outcomes - with, if necessary, this whole process being followed again until the problem is fully addressed. Within this study, however, accommodation is afforded to expectation that the tidy following of such staged process will at times need to deteriorate into significant messiness and untidiness. For example, owner manager actions by way of such as mini-experiment within the business may be necessary at various stages of the research, even at initial problem or issue diagnosis stage, in order to facilitate necessary learning or to clarify learning and personal construct development to date. Thus a traditional five stages action research model provides

broad brush guidance – but with often messy to-ing and froing between stages to facilitate effective diagnosis and choice of ultimate appropriate action path.

The academic researcher's processual frame of reference as to requisite 'learning and development activities' are summarised below:

*Activity One:* Gain understanding of owner managers existing personal constructs:

- How does he view his business and 'development direction' of the business to which he aspires
- How does he view the development project in the context of what it can do for his business
- Use close discussion and dialogue with owner manager to 'get inside his story' and empathise with him
- Explore his 'business world' through his own personal constructs
- Integral to the above, help the owner manager to surface and understand the assumptions upon which his existing personal constructs are based

The start point is thus one of exchange of, and build out from, understanding embedded within owner manager 'rich' personal constructs and academic practitioner relatively 'hazy' personal constructs of the business.

*Activity Two:* The start point foundation understanding in place, the academic practitioner then proceeds to build upon this base through in-depth learning interfaces with other internal key informants within the business itself (other key staff), external key informants such as suppliers,

distributors, government agencies and support providers; and through analysis of relevant documentation. Integral to this learning activity is the enriching of the academic practitioner's current personal constructs of the participant business and the development project - and in turn be able to use these enhanced perspectives through further learning and development interfaces with the owner manager.

Interim analysis of the derived strands of insight is thus undertaken and the enhanced understanding base is then taken back to the owner manager as basis for further learning and development conversations. Thus:

*Activity Three:* Conduct learning and development conversations which provide additional and alternative worldviews for the owner manager of the development potential of the project, and findings revealed through project actions to date, for his business:

- Use owner manager existing personal constructs re understanding of the key issues surrounding the project and what he perceives it can do to help his business
- Use the academic practitioner's knowledge and understanding (worldviews) [being careful to dilute terminology to owner manager understandable language] as frames of reference which the owner manager can 'try on for size' (and thus begin to address deficiencies in his current understanding/current existing personal constructs)
- Integral to the above, help the owner manager reflect upon, and where necessary challenge, the assumptions upon which his personal constructs are based
- And help the owner manager work out the implications of the alternative worldviews being suggested or offered by the researcher for his own existing personal constructs

*Activity Four:* A Period of 'step back' is then built in to the development process:

Give the owner manager time to absorb the interactions to date. And then follow up the learning and development sessions:

- Use follow-up learning conversations with the owner manager to reassess, by way of an evaluation or judgement, the level of understanding now held by the owner manager as to the potential of the project and its findings to date in underpinning development of his business
- Identify explicitly areas of sound owner manager understanding and areas of deficiency in understanding - including the apparent underlying causes of those deficiencies
- Attempt to address any existing deficiencies in owner manager understanding through further dialogue/learning and development conversations
- Academic practitioner to also reconsider his own personal constructs in the light of the learning and development discussions - there may be need to adjust academic practitioner constructs in the light of owner manager's personal and/or business development needs (or to address areas of academics practitioner misunderstanding or lack of understanding)

*Activity Five:* Agree initial base research, development and implementation activity to be conducted by the owner manager and by the academic practitioner:

- Undertake research, development and implementation activities
- Effectively, use this as action research in the form of business development activity whereby the implementation offers itself in the form of 'experiment' or 'try out' for the

owner manager whereby he can test his personal constructs which have evolved or been adjusted to date; and integral to this the alternative worldviews which he is 'trying on' in making adjustments to his existing personal constructs (where his existing understanding is proved to be accurate/appropriate by the implementation phase his constructs will be validated; where misunderstanding/deficiency in his personal constructs are highlighted by the implementation activity, then he makes appropriate adjustment to his personal constructs).

*Activity Six: Undertake progressive review meetings*

- Assess and review both business development and academic outputs progress
- Gain mutual feedback and offer respective perspectives
- Make any necessary adjustments to overall strategic analysis document and to the focus and activities of the implementation

*Activity Seven: Progress the project to completion of the dual project outputs*

- Complete the business development component of the project - in some cases this will see a tidy completion of the implementation of the chosen area of strategic development. But in other cases this will involve agreeing a time point when the academic practitioner pulls back from the project, leaving the owner manager to complete implementation into the future
- Academic practitioner to complete the integral academic component of the project - as conceptualisation of new emerging small business strategic development management knowledge; and written up case study contextualising that management knowledge

Throughout the above action research processes (i.e. throughout each stage of 1-6 activities above), identify the *nature, form and sources of constraints* to required owner manager understanding of the project parameters and its potential for underpinning effective development of his business. Put another way, identify constraints which have or continue to impact on adjustment to, or replacement of, deficient or inadequate owner manager personal constructs regarding understanding of the elements of the project and its potential for underpinning effective development of his business. Thus:

- Have or do 'fixed owner manager attitudes' exist?
- Have or do 'frozen meanings' exist in the mind of the owner manager?
- What are the reasons for this:
  - Owner manager cannot understand the potential of the project due to his continuing personal construction of how he feels the business should proceed
  - Owner manager feels discomfort - dislikes being pushed beyond his existing comfort zone
  - Owner manager fears losing control or independence regarding the business (e.g.: through sharing of information or of implementation activities)
  - Owner manager is unwilling to be sufficiently 'open' and sharing to challenge his existing personal constructs
  - Owner manager feels the need for a great deal of information before being prepared to move forward

- Owner manager struggles to learn (has not 'learned how to learn' and thus to effectively adjust and extend his existing personal constructs) - this can include a psychological or real fear of issues relating to the project
- Owner manager is suspicious of the views of others
- Owner manager would undergo 'loss of face' if he was seen to be changing his views

The action research strategic learning and development path in its totality is depicted in Fig 3.2. at the end of this chapter.

### **3.6 The Analytical Approach**

#### **(a) Elaborating the analytical framework for the action research small business strategic development analysis**

Each of the focal action research case study projects within this research are strategic development oriented and share an ultimate broad goal of enhancing the strategic development of the participant small businesses.

The learning and development process within this study has been elaborated in previous sections as personal construct theory-based. But that strategic learning and development process is still in need of guiding frames of reference to inform and direct the focus and form of researcher strategic assessment and analysis activities that will make up, inform and facilitate that learning and development process. This need is addressed within this study by the development of a strategic analytical framework specifically designed for this purpose.



Design and development of the framework is built out of: (a) identification of and response to literature-based highlighting of key shortcomings and shortfalls integral to the process of management research itself and to the design of small business analytical frameworks; and (b) relevant theory, concepts and insight from the existing literature-based management knowledge bases. As such development and use of the analytical framework follows the foundation philosophy and theory upon which the study in its totality is based: it is informed by the academic practitioner 'trying on for size' the personal constructs of others through the embedding of perspectives offered by their work within the analytical framework and associate analytical processes - as interpretative frames of reference (for use in assessing the participant small businesses) which, effectively, enhance and extend the academic practitioner's existing personal construct system; and thereby provide him with additional personal construct 'spectacles' through which to examine and consider the participant small business and his workings with his co-researcher owner manager.

The resultant framework, presented in Fig 3.1 on (p137) of this chapter, has thus been constructed through utilisation of the following guiding parameters (built out of original small business management research 'potential shortcomings frames of reference' developed by Wyer, 1990):

- (a) *The need to avoid a static, single slice, a historic focus in the build up of understanding of the participant small business firm:*

Component one of the framework directs the investigation toward an initial build up of understanding of the origins of the business and its historical development - from the

conducting of learning conversations with the owner manager. This serves as key contextual insight and captures the dynamics of the business in terms of evolving markets and products focus and the changing nature of problem-types experienced by the firm at different key stages in its development. The framework in its totality and its application is designed to avoid a *static quality of data* which derives from researcher involvement at a particular point in time (Kimberly et al, 1980) and instead capture the dynamic process of business development over time.

(b) *The need to commence study from solid starting point:*

Many students commence their studies with a poorly construed start-point knowledge base with a *lack of adequate foundation insight of many researchers* (Archer 1988; Wyer 1990)

The base epistemological bootstrapping process has anchored in sound management knowledge across the disciplines and has been integrated with the researchers own experience base to produce a solid starting point knowledge and capability base to drive the research in its totality and the design of the analytical framework within that total process.

(c) *A tendency amongst some to view the small business sector (or the SME sector) as homogeneous* with little regard for the key industry sub-sector characteristics. The framework is designed to orient the assessment and analysis to the capture of understanding of key enabling and constraining issues and forces within the specific industry sub-sector which the participant small business operates in.

(d)) There is also *a tendency toward over-reductionism* in order to gain results in data collection. This often cuts across concept, model or theory (Gibb 1998). The framework

circumvents this tendency through the utilization of guiding insight from a number of complementary management theories and concepts and its drive motor base of personal construct theory.

(e) Failure to recognise a *dichotomy between large company-oriented theory and the informalities and idiosyncrasies of small business management*. The framework is founded on understanding of the distinctiveness of small business vis-à-vis large companies (Wyer 1990; Smallbone and Wyr 2012) through use of the small business knowledge base in its own right - and from the grounding of relevant large company oriented management knowledge bases in understanding of that distinctiveness.

(f) *The use of research paradigms from narrow academic disciplines* and an under utilisation of *multi-disciplinary approaches* continues to prevail in many small business studies, thereby resulting in limited insight (Gibb 1992; Wyr 2010)

Compilation of the framework draws upon a multidisciplinary source of management knowledge. Narrow focus upon a narrow single discipline, say finance, orients the researcher away from consideration of the wider business context in which the research problem or issue under investigation sits. Moreover, this multidisciplinary approach responds to Gibb's (1998) call for small business research to progress beyond single discipline focus and also an inter-discipline focus involving several expert discipline researchers working together - and instead embed a multidisciplinary perspective and approach into the single researcher. As such this framework draws upon guiding insight from a number of disciplines including economics, marketing, finance, strategic management and psychology - and is constructed

and applied by the single academic practitioner researcher (though the resultant unfolding insight and knowledge from use of the analytical framework is shared with the co-researcher)

*(g) The need to avoid treating external context as descriptive backcloth or deterministic*

The contemporary operating environment of business is not merely some backcloth against which the small business develops. It can assist the business in its growth and it can act as severe hindrance on that development. The framework design captures this context and its relentless dynamics. Change is conceptualised as predominantly open ended - totally unknowable and unpredictable (Stacey 1990). And thus as potentially enabling and constraining (Pettigrew 1985). But external context is not treated as deterministic, impacting uncontrollably upon the unwilling owner manager - rather as a business stage which the owner manager can have a part in co-creating (Dixon 1994): commensurate with PCT and an individual's ability to construct and re-construct his world and parts thereof (Kelly 1955). Moreover, the analytical framework and integral analytical processes are underpinned by a key dimension of multi-level analysis (Pettigrew 1985; Wyer 1990; Wyer, Choong and Barrett 2003) whereby attempt is made to identify and assess interconnectedness between external environment context and internal context of the small business (this component of the analytical approach is considered in the following section).

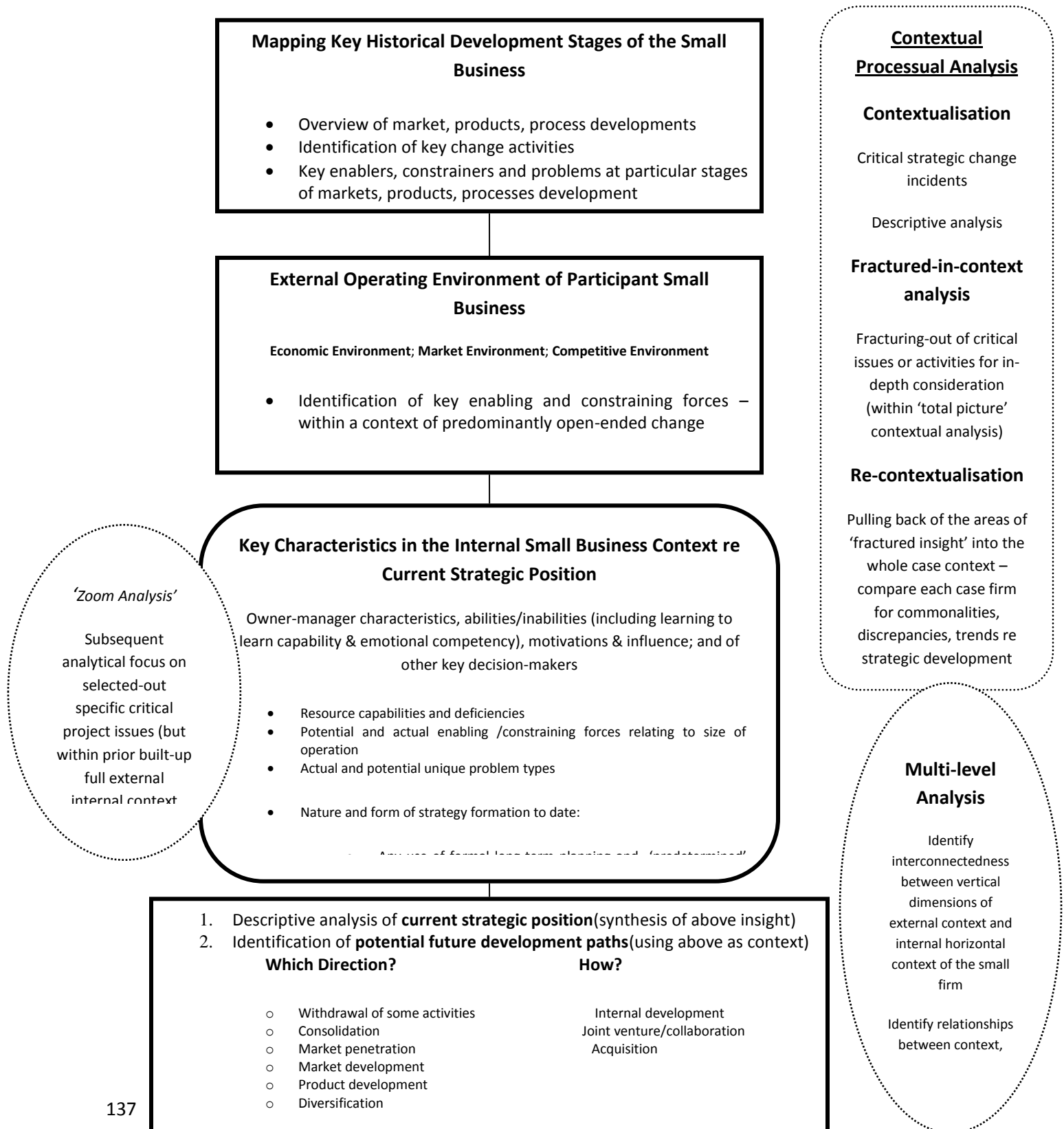
*(h) The need to avoid treating the small business as a little big business*

As emphasised in the literature review, the small business is not a microcosm of a large company (O'Farrell and Hitchens 1988). It has potential advantages of smallness of operation and faces potential unique problem types. The framework captures this distinctiveness in its directing analysis toward consideration of the potential existence of such size-related advantages and/or problems within the participant small firms - and of owner manager-related enabling and constraining issues

- (i) *Case study research* is frequently criticised as producing '*little more than common-sense storytelling*'

The epistemological bootstrapping process has anchored in multi strands of in-depth understanding of small business and of management research process and activities which can further enhance that understanding. The resultant end of literature review conceptual framework integrates that insight and informs the build up of a creative and innovative research methodology which in its totality will ensure that the ultimate research findings and outputs transcend that of mere common sense story-telling (Archer 1988). The analytical framework to which this section alludes is one part of that innovative research methodology.

**Fig 3.1: Personal Construct Theory-Driven Analytical Framework and Processes for Assessing Small Business Strategic Development (ABdapted from Wyer 1990; Wyer et al 2003)**



### **(b) The analytical process - a contextual, processual analytical approach**

The role of the analytical framework elaborated in the previous section is to focus, direct, structure and sub-structure the strategic analysis of growth-seeking small businesses. Integral to the framework is a complementary set of analytical activities and processes.

The overall analytical process is that of contextual, processual analysis. This approach builds out of the work of Wyer (1990) and Wyer, Choong and Barrett (2003) who developed a three-pronged process of analysis aimed at circumventing the static orientation of much small business strategy development research and 'capturing a dynamic perspective in the use of historical development context and attempted unfolding of understanding of strategic learning, decision-making and change processes within the particular external and internal operating contexts of such participant small firms'.

The processual analysis within this study weaves the three sub-processes of the Wyer et al contextual, processual analysis into the empirical component of the research:

#### **(i) Contextualising strategy:**

A first stage contextualisation activity involves the undertaking of an overview historical analysis of the strategic development of the participant small businesses. The firm's growth in terms of key areas of markets, products and underpinning processes development to the current day is mapped. The development processes are contextualised 'by describing the external operating environment in terms of key forces and variables and the way in which the interacting external and internal contexts have enabled or constrained or facilitated or nurtured the unfolding strategic development of the organisation' (Wyer et al 2003).

Critical strategic change incidents (Chell 1998) are identified for particular analytical attention. Key informants within and out-with the small business is identified and is participant to face-to-face interviews. And relevant secondary sources of insight (including company documentation, economic analyses and market reports) provide strands of in-depth understanding. Attempts are made to determine key cause and effect relationships.

Open-ended personal construct theory-based learning conversations between academic researcher and small business owner manager are the key insight development tools and where appropriate are directed by a predesigned case interview instrument which is used to guide and direct key informant interviews. And a form of memo (Miles and Huberman 1994) is used to facilitate analytical thinking and stimulate analytic insight.

The ultimate research output of this first stage sub-process is a 'base contextual case report'.

#### **(ii) Categorising strategy: 'fractured in context analysis'**

The second stage analytical process is what Wyer et al (2003) term 'fractured-in-context analysis'. This sub-process involves deconstructing the participant small business's activities and processes into focal categories or component parts for detailed analysis of key sub-parts or sub-developments of the business in its external-internal context totality. And the 'base contextual report' produced in the contextualising stage provides the holistic frame from this stage of the analysis.

The categories can take the form of functional grouping such as marketing, finance or production (or sub-groups of these) or process grouping such as decision-making processes,



learning processes or decision-making processes that flow through and unfold in a selected critical incident of strategic development. Within this study the focal categories which are 'fractured-out' for detailed analysis are of course predominantly pinpointed by the identified development focus of the practical business support element of the project being conducted. Though further focal categories are also analysed to capture relevant sought after areas of 'academic' outputs with regard to build up of small business strategic management understanding. Crucial within this stage of analysis is that although 'fractured out' for specific in-depth analytical attention, the critical activities or issues under this micro focus continue to be analysed within the total picture contextual analysis in order to 'retain development context and avoid isolated 'out-of context' analysis' (Wyer et al 2003); and indeed conclusion drawing: the contextual frame of understanding built up in the first stage contextual analysis is retained as 'overarching frame of reference' .

### **(iii) Re-contextualising strategy:**

The final analytical sub-process is one of re-contextualisation whereby the micro-analysed 'fractured-insight' components of understanding are placed back in the full case context – understanding within the fractured analysis is subjected to re-contextualisation. The focal business development component of the study and the nature and forms of strategic development and strategic management within each participant small business are re-examined within the total strategic context of the firm to unfold 'rich' 'thick' understanding of these development and management processes - and of their particular strengths and deficiencies with regard to effective facilitation constraint of the participant small firm's growth and development. Integral to this process is the extension of the analytical process to

encompass comparative consideration of all participant small businesses within the study to facilitate identification of similarities and differences with regard to strategic development activities and behaviours of the participant firms in their differing operating contexts- with the aim of cementing and extending 'academic' understanding of small business strategic management and development , but also to reveal any strands of insight which can further assist completion or ongoing facilitation of the practical support to the participant small firms.

#### **(iv) The binding thread of multi-level analysis**

Interwoven through the three sub-processes of Wyer et al's (2003) analytical approach and originating in his 1990 work is a requisite core analytical competence with regard to attempted identification of key areas of interplay and intertwinement between the small business external and internal operating contexts. In attempting such an approach Wyer is taking his lead from Pettigrew (1985) who signposts a need to identify interconnectedness between vertical dimensions of external operating context, such as economic, social technological and competitive change forces, and the internal horizontal context of the firm

Wyer (1990) and Wyer et al (2003) are here adopting a version of Pettigrew's (1985) contextualist analysis involving the linking of multi-level analysis and processual analysis of organisational phenomena.

Summarising Wyer et al's (2003) anchoring-in of Pettigrew, multi-level relates to *'the vertical form of analysis, referring to the interdependencies between higher and lower levels of phenomena to be explained at some further level'* (for example, the impact of economic features upon features of the inter-organisational context of the small firm).

***Processual relates to 'the horizontal from of analysis referring to the sequential interconnectedness between phenomena in historical, present and future time'.***

For Pettigrew, the key to the analysis lies in positioning and establishing relationships between context, process and outcome. Thus, one is seeking to identify what the relationships, if any, are between variability in context and variability in process and variability in outcome (Wyer, 1990).

### **3.7 Making Explicit the Notion of Reflexivity within PCT - and the Development of Data Collection and Analysis Approaches to Facilitate Co-researcher Reflexivity**

Fransella and Dalton (2000) emphasise how Kelly when later reflecting on the ideas which underpinned the development of his personal construct theory highlighted his realisation that his approach to supervision of his graduate students closely mirrored his attempts in his psychotherapist role to seek out solutions for his distressed clients: 'pinpointing the issue, observing, becoming intimate with the problem, forming hypothesis, making test runs, relating data to predictions and revising thinking in the light of experience...Both activities, he concluded, are fundamentally concerned with the search to make sense of the events with which we are confronted'. And from this Kelly recognised the paradox of how psychologists tend to use one theory to explain themselves and another mix of theories and frames of reference to explain clients – for Kelly the appropriate way forward would be for psychologists to adopt the same 'man the scientist' model in both their self explanations and in their attempts to understand others. In this way the foundations of PCT were born and, for Bannister (1982/2003), reflexivity became a

‘bedrock assumption’ of the theory: ‘the means by which we come to model other people should be equally valid for the psychologist who offers such a viewpoint’ Fransella and Dalton (2000).

In the use of PCT within this study, reflexivity thus involves the turning of the theory of the small business owner manager (and other key informants) as ‘man the scientist’ back on the researcher - this researcher is assumed to be operating as much within the theory as the owner managers who are partnership participants within the action research projects. Integral to this is a need for the researcher to progressively reflect upon and change his own ways of construing events, including a need to change his own personal constructs as the owner manager progressively changes his. The researcher ‘has to be involved in a constantly reflexive process, seeking to make his own construing explicit to the self rather than leaving it implicit and thus potentially maladaptive or damaging’ (Fransella and Dalton, 2000).

For Feighery (2006) in a qualitative research study context the term ‘reflexivity’ is used ‘to refer to the capacity of researchers to reflect upon their actions and values during research, whether in producing data or writing accounts’. This is supported in Finlay’s (2002) emphasis of how qualitative researchers if they are to increase the integrity and trustworthiness of their research need to evaluate how inter-subjective elements influence data collection and analysis. ‘Reflexivity – where researchers engage in explicit self-aware analysis of their own role - offers one tool for such evaluation’. For Ping-Chun Hsiung (2010) qualitative investigation ‘involves a continuous process of reflection on the research. Reflexivity is the process of examining both oneself as a researcher, and the research relationship’. Moreover, self-searching involves examining one’s ‘conceptual baggage’ with regard to researcher assumptions and preconceptions – not least in

terms of how they affect issues such as wording of questions and, within this study, further research decisions such as focal areas of investigation within the participant small business and wider key business context within which those focal areas sit. This in turn brings to the fore the need to reflect on the research relationship (Ping-Chun Hsiung, 2010) which within this study involves ongoing reflection on the researcher relationship with the participant owner manager at point of commencement of the project and with regard to ongoing changing dynamics of the relationship as the project progresses.

Of particular challenge within the research relationship within this study is the task (already alluded to earlier in this chapter) of 'getting inside the personal constructs of the owner manager' as start point to the build up of understanding of owner manager perspective and standpoints regarding his business and parts thereof. Such start point involves acceptance that owner manager personal constructs of his business and its development are far richer and representing a far more effective and appropriate personal construction to inform future business behaviour than that of the researcher – who, whilst approaching the owner manager in the early stages of the project from a standpoint of significant pre-research activities in order to get some form of 'starting handle' of understanding of the business, commences from a start point of acceptance that nobody knows his business better than the owner manager who, though looking for 'action research assistance', is the expert in his own domain.

The notion of 'conceptual baggage' has particular significance within this start point challenge. For Kirby and McKenna (1989) conceptual baggage refers to 'stereotypical assumptions, idiosyncratic concepts and theoretical frameworks used or implied in sociological inquiry'. Within this study,

where the research process is effectively underpinned by co-researchers in the form of partnership working of practitioner and academic entrepreneur, one real danger is the latter transporting in 'conceptual baggage' in the form of own personal constructs that are littered with academic theory and conceptualisation which could reinforce an already fragile interface between academia and the world of small business practice. Such danger of course remains a possibility beyond the research project beginnings onto the research process in its entirety. In short, reflexivity within this study must and does involve ongoing researcher reflection on the research process and research relationship, not least in order to make explicit to the researcher himself the forms of conceptual baggage he may be carrying and the implications for the research process and the quality and effectiveness of the project relationship with the participant owner managers.

Moreover, given that academic researcher and owner manager practitioner are within this study both commonly posited and treated as 'man the scientist', the researcher interface with the owner manager strives, in its attempts to get inside the owner manager's personal constructs, to help the owner manager make explicit his own personal assumptions and theories-in-use, thereby in parallel surfacing owner manager 'conceptual baggage'.

The importance of researcher reflexive orientation and ability and the integral issue of addressing minimisation of the carry forward of conceptual and other baggage are clearly highlighted by the work of Shaw (2010) in her research relating to teenage pregnancy. She gives emphasis to how a researcher's 'fore-understanding' with regard to such as cultural and historical situatedness can impact an individual's performance as a person undertaking research with people. For her, 'the challenge of reflexivity for an experiential qualitative researcher is to first identify these fore-

understandings and their roots and then to insure they do not denigrate the research process, either in terms of the social event that is the research interview or the interpretative activity of analysing experiential data'. Shaw portrays how in her work she had not set out on a reflexive footing: 'although aware at some level of these constructs being at work in my mode of thinking, I was not self-consciously aware of them in a way that made them explicit'. To be reflexive, we need to reveal our presuppositions in order not to be surprised by them (or what they do) anymore; these presuppositions remained latent and still potent when faced with a powerful enough emotive trigger'. Shaw's research process and outputs highlight how 'by engaging reflexively with these fore-understandings and making them explicit in advance of gathering data, we are able to work actively with them in the research encounter'. She acknowledges that 'this will not lead to the "perfect" research interview (which does not exist), but with practice it will provide mechanisms for avoiding unguarded responses to surprises' within the research process.

Integral to Shaw's perspectives of reflexivity are, then, a qualitative research process pre-requisite of researcher willingness and ability to surface and make explicit underlying assumptions and fore-understandings embedded within his or her personal constructs at all stages of the research process. But also the issue of potential emergence of some emotive trigger which can, if uncontrolled, initiate the clouded use of dormant personal constructs to inform researcher responses during interface with other research participants. Such perspectives reinforce importance of emotional competence, the notion of which has already been elaborated as key to this study – and which has been integrated into the base PCT learning and development model that underpins this research.

The 'how' of striving for researcher reflexivity within this study sits within a number of methods. Central to these is the role of dialogue and dialogical interface between the academic researcher and the key informant/co-researcher owner manager. Learning conversations are used to enable both co-researchers to 'try on each other's personal constructs for size' – including each explicitly surfacing the assumptions upon which the personal constructs are founded. Moreover, many of these learning and development interfaces are recorded and/or set to paper in-situ – 'by making your thoughts and experience explicit, another layer of data is revealed for investigation' (Kirby and McKenna 1989).

However, integral to both of the action research projects which form the empirical component of this research is a precursor to the commencement of the project learning and development dialogues. A pre-project summary of the business and its strategic development support needs in broad terms is provided by the funder which is used to inform a period of pre-project process investigation and foundation analysis on that business – a preparation period conducted by this researcher to place him in a position of foundation understanding from which to initiate pre-project talks and project scoping with the participant small business owner manager. Integral to this pre-project process is a careful consideration and commitment to paper of researcher existing personal constructs with regard to the participant small business and the external environment within which it is operating – including an attempt to make explicit key researcher values, beliefs, assumptions and preconceptions. This is used to inform the pre-project meeting with the owner manager and the initial interface with the owner manager during the meeting is used to help reinforce and where necessary refine or adjust existing researcher perspectives.



Following on from the subsequent learning and development sessions on the launch of the full project, the recorded 'learnings' are assessed and analysed. Good sessions produce the foundations for further learning and development, including the enhancement and refinement of each co-researcher's personal constructs. Poorer sessions can be dissected through careful consideration of the session transcripts to facilitate a self searching process for the academic entrepreneur. For Ping-Chun Hsiung (2010), 'the objectives of such a (transcript) examination is first to identify patterned disjunctions, rebuffs or clashes between the interviewers questions and respondents answers' - within this study this relates to differences between the co-researchers (the academic entrepreneur and the owner manager). 'Painstaking effort is then required to discern how the disjunctions have come about, and to what extent they may be the effects of conceptual baggage'.

The outputs of each learning and development session, from good and poor sessions, thus provide foundation insight for progressing the project. The outputs are either used as a framework for the next co-researcher learning and development sessions and/or for use by the academic entrepreneur to conduct further lone analysis of the participant small business in its environment before returning to the owner manager. Such incremental build up of insight is in all instances captured in a documented 'rolling analysis' completed by the academic entrepreneur and forwarded to the owner manager for his consideration – and for part facilitation of owner manager own 'self searching process'.

In parallel to the above the academic researcher compiles further facilitating documentation in a form that approximates Lincoln and Guba's (1985)'reflexive journal' – 'a type of diary where a

researcher makes regular entries during the research process. In these entries, the researcher records methodological decisions and the reasons for them, the logistics of the study, and reflections upon what is happening in terms of one's own values and interests' (RWJF,2008).

It was a combination of: (a) learning and development session recordings and documenting; (b) the pick-up of emotional readings of owner manager reactions and feelings within these sessions; (c) resort to the recorded snippets within the reflexive journal; and (d) return to the academic literature of emotional competence which resulted in an ongoing crafting of the research process whereby emotions and the role of emotional competence were more rigorously treated and integrated into personal construct theory part way through this study.

In short, overall, researcher reflexivity within this study attempts to make explicit how each co-researcher's values, beliefs, assumptions, preconceptions, history and position within the project may be impacting as facilitator or constrainer on the research process – and to take progressive actions in the light of such reflection. This is recognised as a major challenge but each co-researcher recognises the dual output objectives of the study which provides commonality of purpose and key ingredients of the 'glue' which bonds the participant researchers.

### **3.8 Identifying the Participant 'Action Research Case Study Businesses' and Key Informants**

#### **(a) Criteria for selection of the participant small businesses**

The identification and selection of the participating small businesses within the study was guided by a set of base 'participation criteria' summarised as follows:

- i. A small business currently sitting within the EU micro and small business definition base of up to 9 employees (micro business) and 10 to 49 employees (small business)
- ii. Owned and directed by an owner manager (or joint owner manager)
- iii. UK based
- iv. Operating within the service sector or manufacturing sector
- v. Minimum of two years business operation
- vi. Has achieved progressive growth in terms of increase in turnover base since birth
- vii. Is currently growth-seeking - by way of market penetration; or market development; or product development; or diversification
- viii. Owner manager is able and willing to participate in a longitudinal action research business development project form
- ix. Owner manager is willing to allow the findings and outputs of the partnership project to be utilised not only as a project output to facilitate growth and development of his or her business, but also as 'publication forms' (in terms of PhD research; conference papers and journal articles) and management development forms (in terms of management knowledge and management vehicles capable of facilitating the future development of other small businesses)

**(b) Identification of the participant small businesses and their co-researcher owner managers**

Potential participant small businesses were identified through two contact channels:

- (i) The businesses were applicants for a government funded small business support programme

Or:

- (ii) The businesses were acquainted with the small business support provision provided by the academic practitioner - and wanting to avail themselves of that support provision

The two small businesses ultimately selected for participation within this action research study fall into the first category (participating through a government funded support programme).

### **3.9 Arranging the Longitudinal Research Access - Establishing the Co-researcher Relationship and Determining the Action Research Process and Activities**

Each strand of this research study was put in place through the undertaking of initial project scoping meetings with the participant owner managers. Support provision was offered to each small business in the form of a full context strategic development analysis of the business - in terms of: (a) overview assessment of the historical development of the business (markets, products and processes development) up to the present day point of operation; (b) this historical development insight in turn provides the development context for undertaking a current strategic position analysis of the business in its external operating environment context (and the way this external environment is opening up in terms of current and potential enabling /constraining context) ; and (c) the resultant total context strategic analysis is used to identify (i) future potential strategic development opportunities for the business; and (ii) the potential for enhancement of existing operational processes and activities.

Within the process of this initial project scoping interface with the owner manager, particular owner manager preferences are considered as to specific activity areas of the business upon which the owner manager currently feels attention might be afforded, and possible development opportunities appropriate for investigation are debated and set up for specific examination within full context strategic development analysis process.

And it is through this scoping process that 'working partnership' in co-researcher roles (between owner manager and academic practitioner) is cemented and longitudinal, ongoing working project access and process is put in place.

Respective co-researcher roles, expectations, expected actions, time and resource allocations are all made explicit and agreed within the project scoping process. Integral to the agreement is the right for either party to terminate the project at any time if expectations are not being met or if resources or operating difficulties arise.

### **3.9.1 The Issue of Quality and Reliability of Research Process and Findings**

#### **(a) Quality of research process and findings**

A key concept which underpins this study in its attempt to achieve reliability of insight and understanding throughout the research process in its totality is that of triangulation. For Cohen and Manion (1985) triangulation is 'an attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint'. Within this study triangulation involves viewing and considering the many issues integral to the various stages of the research process from a number of different, and often overlapping, vantage

points in order to aid the co-researchers in achieving a very sound personal construction of those key issues. The vantage points provide key guiding lenses of insight (effectively as progressively enriched personal constructs) enabling the researcher to use these 'lenses' to put facts and insight together in more productive combinations. In this way the researcher has opportunity 'to be more imaginative in unfolding alternative constructions and thus in providing more rigorous practical grounds for more effective anticipation and prediction' (Harri-Augstein et al 1995).

The various supporting and complementary strands of triangulation utilised within the study include:

*Theory and concept triangulation*- being guided by the various perspectives embedded within the existing literature

*Methods triangulation*- designing and developing different strands of research methods commensurate with the various stages and activities within the research process

*Data triangulation*- produced through the bootstrapping of literature insight and researcher's experience-base; and from within the fieldwork

*Key informant triangulation* - building up understanding of the same event or issue from a number of key informants within or on the boundaries of the participant small business

*Levels of triangulation*- positing as the unit of analysis the participant small business within its external operating environment: thereby focusing upon different levels of investigation and analysis - the owner manager within the small business within its operating environment; and

attempting to understand the complex strands of interconnectedness between the different levels.

### **(b) Significance and Stability of Findings and Outputs**

This study seeks to where possible circumvent, and at worst minimise the adverse effects relating to, the shortcomings and pitfalls associated with small business management research and qualitative case study forms of investigation. The action research-based case study investigation processes aim to contribute: (a) *within the world of small business practice*: to the effective development of the participant businesses; and (b) *within academia*: toward the development of alternative small business management conceptualisation and low level theory.

With regard to the world of practice, quality and significance of findings and outputs have already been judged and continue to be so judged in terms of key participant owner manager applied criteria in the form of: usefulness and practicality of the investigation process and the business development activities that the process has produced for the participant small businesses (with regard to identified business development path opportunities and implementation of those development path opportunities); and resultant ultimate business outputs in terms of increased sales turnover and associate profit levels.

With regard to academia, it is critical to remember the limitations of case study-based research and the methodology utilised here is designed to produce case material and integral forms of small business management conceptualisation that can form a base of knowledge which can inform ongoing future research and effective academic interface with small business practice in the present-in short, produce personal constructs of small business management knowledge

and business development that have utility and can be effectively 'tried on for size' across the worlds of academia and small business practice. The approach aims to ensure that the resultant action research case study-derived assertions are capable of ultimately achieving factual status and is guided in this respect by Ravetz's (1971) suggested criteria regarding knowledge development, i.e.: '..."*significance*"', in that it (case study derived assertions) must be noticed by someone if it is not to fall into oblivion; and "*stability*" in that it must be capable of reproduction and use by others if it is not to be refuted as spurious ...In addition it must have a (third) property of "*invariance*"...when...new work is done on this basis, then the objectives of investigation will necessarily change , sometimes only slightly, but sometimes drastically ...There is then the question of whether it can be translated or recast so as to relate to the newer objects descended from the original areas, and still be adequate foundations for a conclusion. If not, then the original conclusion is rejected as dealing with non-objects, or as ascribing false properties to real objects' (adapted from Archer, 1988; Wyer 1990).

However, this study is driven by utilisation of a personal construct theory perspective with underpinning philosophical foundations of constructive alternativism. And thus the nature of the road to Ravetz's ultimate factual achievement status in the context of this research requires further qualification. For Kelly (1955), a stance of constructive alternativism dismisses the traditional perspectives of scientific development of knowledge which 'makes progress step by step... as we discover a fragment at a time and as each fragment is verified and put in place - much like a piece in a jigsaw puzzle. Someday we'll get it all put together'- a philosophy which Kelly labelled 'accumulative fragmentalism'. In its place Kelly's philosophy of constructive alternativism positions us as seeking to understand our world by placing constructions on it.



Absolute construction is not possible and we make successive approximations of the realities in our world. And, if they prove inadequate to appropriately inform our behaviour, we can revisit these constructs, these worldviews, and combine the facts and insights integral to those inadequate worldviews into more productive combinations. This of course also applies to this study and includes the ongoing findings and outputs incrementally unfolded as the study has progressed, as well as the end of study findings and outputs, all of which have (since in effect they are, in the main, in the form of personal constructs of the co-researchers) been or are subject to adjustment, revision or replacement. And of course are intended to lend themselves to other academics and small business owner managers to place their own interpretations on them and thus to 'try them on for size' to see if there is anything in those constructs for them.

Thus at best key strands of the findings and insights from this study are personal constructs (as theories and concepts) in the form of successive approximations to the larger scheme of knowledge and truth which they are helping to unfold. They are not 'nailed' down blocks of knowledge that fit into a jigsaw of knowledge life (there is none of 'we now know this so we can leave this knowledge in place and move on to discovering the next block of knowledge'). Each part of the research and business development process within this study has involved the successive enhancement or replacement of the personal constructs of the key 'partnership actors' within the study: academic researcher and small business owner manager. The significance and quality of findings has thus been incrementally scrutinised throughout the entire study process mainly in terms of practical usefulness as judged by the owner managers. So too are those same 'practical usefulness' criteria applied *at the end* of the study - and this ultimately includes also the assessment of the new small business management knowledge and

concepts that the study has produced. This study and its component parts will quite rightly be carefully considered by academic 'experts' in terms of how that new knowledge and conceptualisation 'fits into' and 'enhances' current academic understanding. But the ultimate 'academic significance of findings' criteria which this study sets itself up to meet are in fact embedded within the world of small business practice. A key aimed-for academic output of this research is that of alternative (new) conceptualisation (possible extending to low level theory) of small business strategic management processes and activities. Judgement of significance and effectiveness of that conceptualisation and theorising must ultimately, however, lie with small business owner managers themselves: in terms of how well those concepts and theories aid small business practice.

Arguably, such challenging 'significance' and 'practical usefulness' criteria are crucial for studies such as this. If small business management theory is to ultimately lead small business management practice. To date the converse is true.

### **3.9.2 The Research Process in its Totality – Step Process Summary of Research Actions and Business Development and Academic Outputs**

**Reiterating Note:** The underpinning approach to research methodology development is that of 'crafting process' - the research approach itself is subject to researcher personal construct form which is approximated- re approximated in the light of learning and feedback from ongoing implementation activities throughout the research process (progressive confirmation or disconfirmation of the research process component parts).

1. Undertaking of an epistemological bootstrapping process: literature review of relevant areas of the literature - incorporating contextualised assessment and interpretation of that literature through use of the researcher's own experience base and early stages insight from the world of small business practice and culminating in what constitutes a field review rather than a narrower literature review. The field review concludes with development of a diagrammatic conceptual framework incorporating partial frames of guiding insight revealed within the literature review
2. Use of the conceptual framework to:
  - i. Clarify and firm up the starting point semi finalized research aim and integral sub-objectives
  - ii. Raise key research issues requiring investigation in the empirical fieldwork component of the research
  - iii. Determine the appropriate, relevant fieldwork research methodology – An Action Research Case Study Approach
  - iv. Make explicit any underlying assumptions regarding the research focus and research approach
  - v. Elaborate the underlying philosophical foundations of the research – the compatible epistemological/ontological combination
  - vi. Aid the design and development of the key parameters and guiding frames of the Action Research Case Study Approach (the step actions of the research approach summarized in following point 4)

- vii. Iteratively consider quality issues and quality processes – utilization of various triangulation forms and levels
- 3. Identify participant action research (case study) firms – to pre-identified selection criteria
- 4. Design and develop the key parameters and guiding frames of the Action Research Case Study Approach
- 5. Undertake action research strategic development analysis – parallel following and application of (a) PCT-based action research learning and development path; and (b) the analytical framework for the action research strategic development analysis
- 6. Integral to (5) above, conduct progressive ‘analysis interfaces’ with the participant small business owner manager – involving ‘learning conversations’. Thus:
  - (i) Learning conversations – obtain owner manager perspectives re his business (get inside his personal constructs)
  - (ii) Obtain other key informants perspectives
  - (iii) Identify and analyse secondary documentation (on the business; and on its external operating environment)
  - (iv) Utilise all perspectives and insight gained to date to conduct further learning conversations with the owner manager
  - (v) Adjust the academic practitioner researcher’s personal constructs of the participant small business – in the light of learning insights completed in (i) to (iv) above (involves consciously reflecting on the researcher’s original ‘starting point’)

- perspectives/personal constructs of the business – and development of those perspectives/personal constructs up to the current point in time)
- (vi) Return to the owner manager with the adjusted perspectives – and subject both the researcher's and owner manager's personal constructs to final learning conversations
7. Complete the strategic development analysis – commit all insight to a documented strategic development analysis: including alternative potential future strategic development path options for the participant business
  8. Forward the completed strategic analysis document to the owner manager
  9. Undertake a final perspectives meeting: academic practitioner researcher and owner manager
  10. Integrate resultant perspectives and adjust document to a Final Strategic Development Analysis Document - including strategic position analysis and resultant summary flexible 'strategic development frame' to inform and guide future development and requisite development activities and actions
  11. Owner manager commences implementation of his preferred selected strategic development paths (from provided options) – guided by the 'strategic development frame' and assisted by the academic researcher when and where appropriate

12. Conducting of progressive review meetings with the owner manager to: (a) assess and review progress; (b) gain feedback; (c) offer perspectives to the owner manager; and then (d) make any necessary adjustments to the overall strategic analysis document
13. Write up the Action Research-derived insight as Case Studies - using the analytical framework as structure for the write up showing:
  - Summary historical development of the business to the present time (overview of development of the business from its establishment to commencement point of the research)
  - Current position analysis (of the business in its environment at the time of the research)
  - Potential strategic development options provided by the researcher a result of the action research
  - Summary of successful implementation actions of the owner manager (include adopted and non-adopted strategic development – and reasons why)
14. Assess, analyse and document the ultimate dual project outputs: (a) business development outputs; (b) integral academic output: conceptualisation of the newly unfolded small business strategic development management knowledge; and the case study contexts within which that management knowledge is embedded

### **3.9.3 Chapter Conclusion**

This chapter has presented the innovative action research case study research methodology designed to facilitate achievement of the study objectives and associate target academic and small business practice outputs. The treatment of research approach as 'ongoing crafting process' is emphasised. And the crucial academic researcher-small business owner manager 'partnership working' research relationship is underlined. The underpinning philosophical foundation of the research, that of constructive alternativism, and the associate use of personal construct theory as 'drive motor' to the study are explained. A creative PCT-based learning and development path is elaborated to facilitate effective learning interfaces and the parallel use of dynamic contextual, processual analysis - the analytical framework for underpinning such contextualist, multi-level analysis is also elaborated.

That it is a version of PCT that is being utilised within this study is emphasised by the turning of PCT in on itself through an innovative re-approximation of the treatment of emotions within PCT - built out of initial Kelly (1955) perspectives on emotions within PCT and then worked forward by combination of researcher learning from the small business owner managers' behaviour during the research process and additional insight from ongoing interaction with the literature. The resultant creative embedding of emotions and emotional competences within the PCT creativity cycle is a sound example of the research design and development as 'ongoing crafting process' and is highlighted as a part component output of the innovative research methodology in its totality.

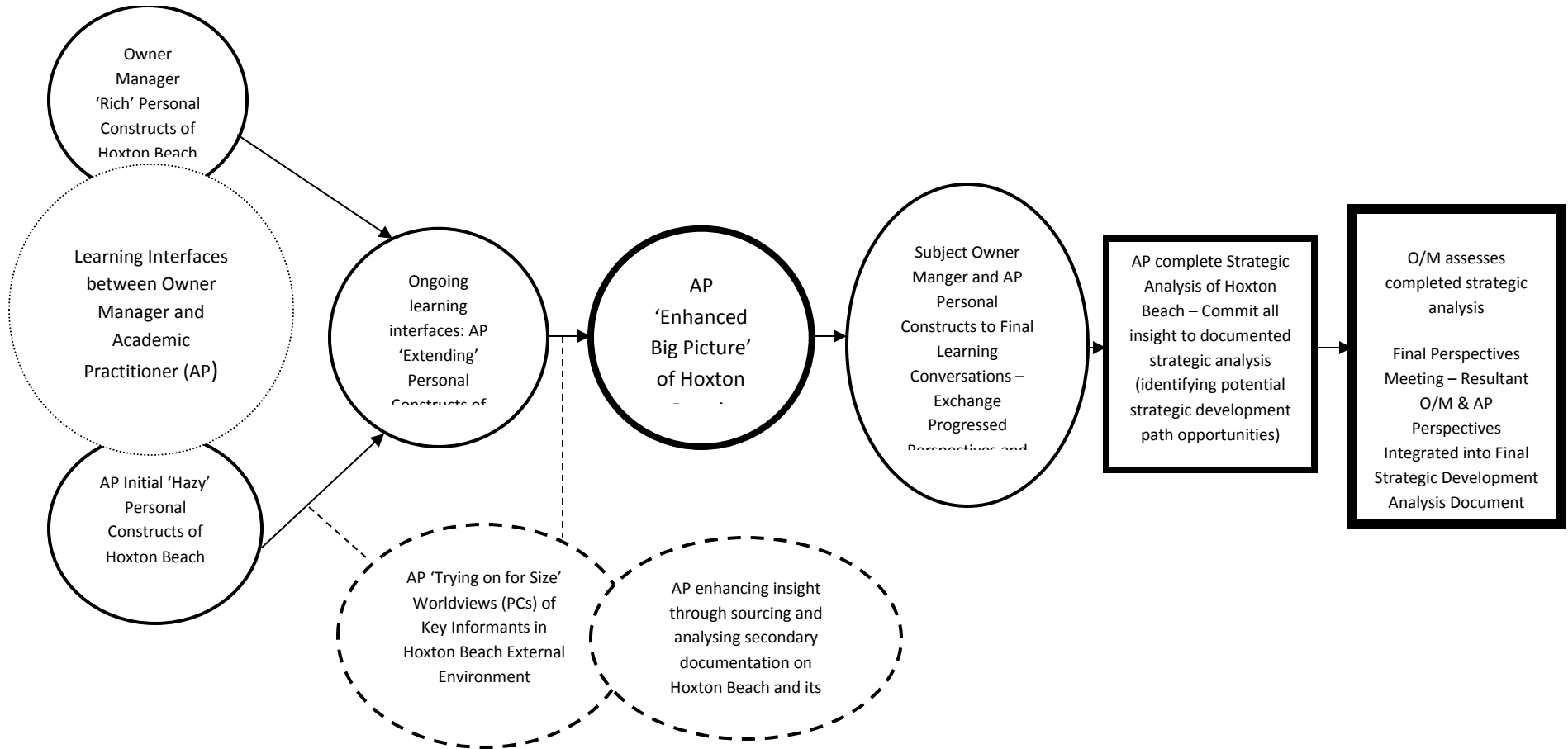
Issues of quality of research process and findings are addressed and the research process in its totality is summarized in step process form.

The following chapter presents the empirical findings from utilization of the research methodology in action.

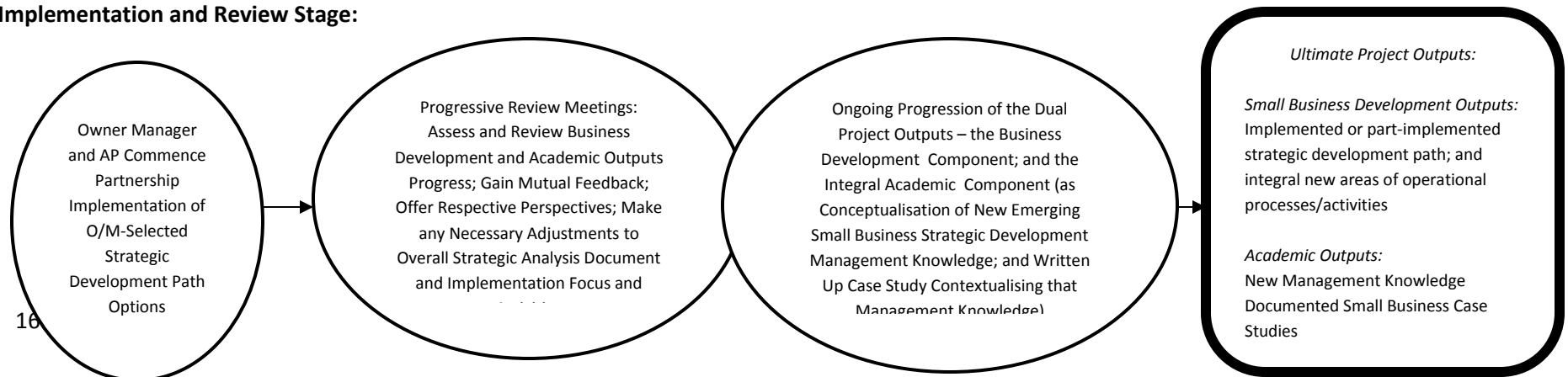


**Fig 3.2: Personal Construct Theory-Based Action Research Strategic Learning and Development Path**  
(Co-researchers driven – Academic Practitioner and Owner Manager)

### Strategic Learning and Analysis Stage:

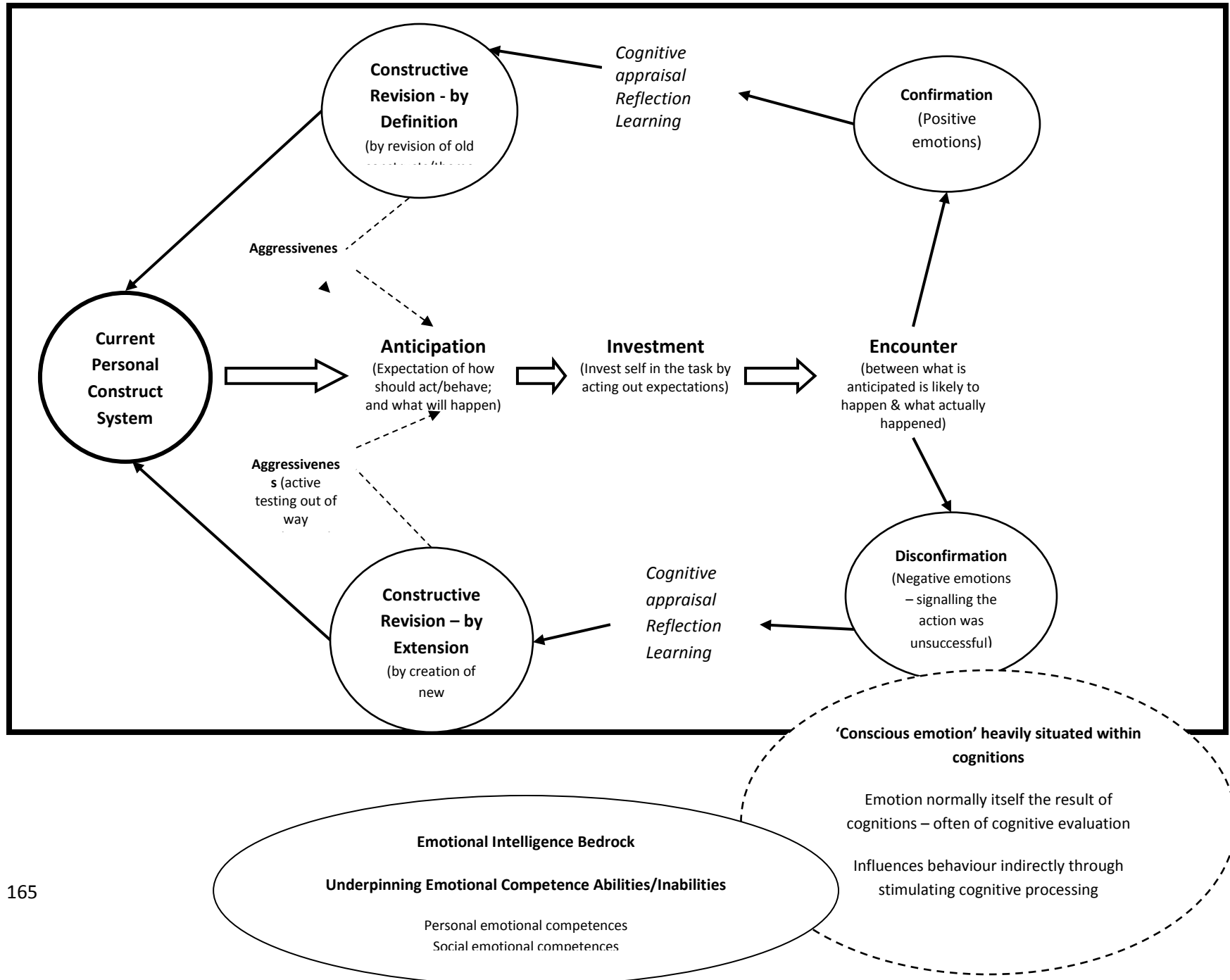


### Implementation and Review Stage:



**Fig 3.3: Personal Construct Theory Creativity Cycle**

**Modelling the Individual Learning and Development Process - How New Ideas and New Personal Constructs are Developed**  
 (crafted from integration of perspectives from Kelly 1955; Beck 1980; Baumeister et al 2007)



## CHAPTER 4: Hoxton Beach – Findings and Analysis

### 4.1 Introduction

This chapter commences the empirical component of the study. An action research focus is upon the strategic development of Hoxton Beach, a growth-achieving London-based small business. Each of the two projects integral to this part of the empirical study was externally funded and dovetails to form a ‘continuous whole’ of action research longitudinal investigation- the two projects spanning the period 2009-2013. Project one involves partnership working with the owner manager in the undertaking of strategic development analysis of Hoxton Beach in its external operating environment, researcher utilisation of this analysis to produce a creative strategic development and planning framework to inform and guide future development of the business and provision of implementation support to the owner manager in some of the identified areas of potential business development. Project two builds out of the development framework produced by project one, focusing on one of the potential strategic development paths identified within that framework: the design and development of an effective Hoxton Beach franchise model as part facilitator of development and growth. Understanding and insight built out of both projects forms context for examination and analysis of strategy development and strategic management processes within Hoxton Beach.

The chapter is presented in two main text parts, with a fuller detail provision of the ‘strategic development frame’ components of the research outputs in the appendix at the end of the thesis. *Part one* presents the ‘strategic development analysis’ component (completed within the funded project one) of the Hoxton Beach action research in a descriptive analysis full context-providing form. The areas of potential operational

improvement and strategic development which that strategic development analysis unfolded are presented and 'development and planning frames' that have been designed to guide the owner manager in undertaking those improvements and effectively pursuing the revealed development options are summarised. The project two franchise development strand of the investigation is then discussed. *Part two* of the chapter presents assessment and analysis of the nature and form of Hoxton Beach strategy development and strategic management processes revealed within the undertaking of the strategic development analysis of the business, and in particular from the close partnership working with the owner manager in the build of that strategic development picture of the company. Both the strategic development analysis and the parallel build up of understanding of the strategy development and strategic management processes undertaken and applied to date by the Hoxton Beach owner manager where utilised to produce the end of project aimed for outputs (for project one and for project two) – i.e.: the design and development of planning and development frames to guide the owner manager in achieving sustainable future growth of Hoxton Beach. Crucially, both understanding of Hoxton Beach successful development to date (including historical development to present day and current strategic position) and of the strengths and weakness of the owner manager strategic management approach that had delivered that development to date formed the full context of understanding within which to design and develop the ultimate aimed for planning and development frame practical outputs for Hoxton Beach. The thesis appendix has more detailed presentation of those summary planning and development frame outputs with regard to both project one and two.

#### **4.1.2 Project One: Strategic Development Analysis of Hoxton Beach - as at 2009**

#### **4.1.3 Hoxton Beach Historical Development Context to 2009**

##### **(a) Overview of Hoxton Beach Development**

Hoxton Beach is a London based small business which makes and sells falafel retail through its own market stalls and café outlets and wholesale to retail outlets of other companies. The business was established in 2004 by owner manager Patrick Matthews who had discovered falafel in Damascus when he was studying Arabic at university. From its beginnings in a single food trailer, Hoxton Beach has gone on to supply major retailers such as coffee shop chains, whole foods markets and various independent shops and cafes. The business also caters for conferences, private parties and public festivals.

Falafel is the core of the company's activity. Indeed, the seeds of Hoxton Beach conception were sown by the owner manager's vision that the freshly made falafel wrap could become a major fast food in Britain.

Out of this vision, Hoxton Beach was kick-started and has become an established quality, fast food provider. By 2009 the business was producing an annual turnover of approximately £400,000 and employed eight workers, with its main market stall outlet on the edge of London's business hub earning record sales on a daily basis.

Whilst this project stage of the research focuses upon assessment of strategic position and development opportunity at the 2009 time point, it is relevant for purposes of provision of forward informing context for the reader to here emphasise that, during the overall timeframe of this action research, Hoxton Beach built significantly on its strong initial foundations. By 2011 the company was achieving an annual turnover of around £750,000,

reaching approximately £1 million of sales in September 2013 and employing a workforce oscillating around 20. Effectively, therefore, the overall action research context is one of an organisation progressively growing from micro to small business status. Figure 4.1 below shows the Hoxton Beach time frame development.

**Figure 4.1 Hoxton Beach Time Frame Development**

<b>Year</b>	<b>2004</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>
<b>Turnover</b>	Start-up	£400,000	£750,000	£1,000,000
<b>Customer Base</b>	One Market Stall	3 Market Stalls; 2 Leisure Centre Cafes; Wholesale to Retailers	3 Market Stalls; 2 Leisure Centre Cafes; Wholesale to Retailers	4 Market Stalls; 2 Leisure Centre Cafes; Wholesale to Retailers
<b>Employees</b>	1	8	10	20 approx'

Of particular significance in the conception and foundation-setting development phases of the business was the creativity and innovation capability of the owner manager, Patrick - a factor which was clearly identified in the early stage learning interfaces with the owner manager, and understanding of which was progressively deepened as the research process unfolded. The pivotal role of the Hoxton Beach owner manager creativity and innovation in the kick-start and development of the business is made explicit in the following sub-section.

#### **(b) 4.1.4 Owner Manager Creativity: Process and Outputs**

Hoxton Beach was born out of, and continues to successfully develop from, the creativity of its owner manager. Personal Construct Theory was used to assist in capturing the nature of that creativity and how in its various strands it has underpinned the early stages sustained and effective development of Hoxton Beach.

It should be noted that the owner manager creativity and innovation analysis and findings as reported within this sub-section have already been incorporated within an academic article jointly written by this researcher, the Hoxton Beach owner manager and this researcher's co-small business development consultant (see Wyer, Donohoe and Matthews 2010 for full article).

Integral to Kelly's (1955) development of PCT are the processes of loose and tight personal construing. 'Loose construction sets the stage for creative thinking. This loosening releases facts long taken as self-evident from their conceptual moorings. Once so freed, they may be seen in new aspects hitherto unsuspected and the creative cycle may get underway' (Kelly 1955, 1991). Effectively, then, for an individual to be creative, including being able to successfully create something new, he (or she) has to address and challenge the assumptions upon which his existing personal constructs are based - he has to loosen his constructions and produce alternatives.

Moreover, for creativity to effectively feed in to innovative small business development the creative individual must be capable of moving his loose construing forward. 'The creative person must have the ability to move from loosened to tightened construing. The person who uses loose constructions never gets out of the stage of mumbling to himself. He must

get round to testing out that construction. Those locked in to loose construing find it very difficult to come to any firm conclusions' (Fransella, 2003).

It is such owner manager ability to loosen current personal constructions, reveal and follow up on likely alternatives and subsequently tighten those constructions and subject them to experimental testing which epitomises creativity and innovative development within Hoxton Beach. The following summarises key strands of owner manager creativity which have underpinned Hoxton Beach conception and growth:

Hoxton Beach was born out of owner manager creative thinking with regard to ideas surrounding falafel and possibilities relating to small business start up. For Patrick Matthews 'the idea is the indispensable seed that grows into the final product or innovative development' with creative capability manifesting itself in the 'seeing of links between apparently unrelated ideas'. On encountering and sampling falafel whilst in Damascus the owner manager loosened his personal constructions of fast food provision in Britain and worked up alternative worldviews which pictured the potential for a business venture that transforms run of the mill fast food by drawing on the food traditions of recent immigrants to Britain: chiefly the vegetable based cuisine of the Eastern Mediterranean and Arab Near East.

Thus, the owner manager's loose construing involved a kind of internal brainstorming and churning over of ideas to produce a novel construction of a fast food business provision which he felt offered real potential in terms of a unique, alternative offering in the fast food sector: the conception of an initial idea that challenged and offered an alternative to existing somewhat bland and often unhealthy fast food. Hoxton Beach now produces and sells delicious healthy and inexpensive fast food - 'fast food that is healthy'.



Ongoing owner manager mental focusing on the idea and its potential facilitated a progressive unearthing of different personal construct versions of business possibilities and an ultimate tightening up toward a personal construction of a product and business model form which appeared to the owner manager to have the greatest likelihood of practical success. Effectively, the owner manager progressed through loose construing processes involving vagueness and creative thinking, with regard to the joining of ideas relating to a unique and delicious falafel food product and the potential demand for such a product in Britain, to a tightened up personal construction of a possible commercial business form involving falafel production and retailing. The owner managers 'loose to tight' construing thus facilitated build up from hazy, creative ideas to the substance of more rigorous potential business proposition - resultant tightened personal construction which could be then subjected to significant testing.

*Overarching owner manager creativity:* Such outline description of the seeds of Hoxton Beach birth and development does of course capture overarching creativity processes. The significant testing of the initially conceived business idea was in the form of retail sale of Hoxton Beach home made falafel from a trailer in the streets of London. And integral to the reaching of this initial experimental business form were several intertwined and complementary strands of owner manager creative thinking and actions.

Effectively, the overarching creativity process discussed above depicts owner manager creativity with regard to identification of potential product/market opportunity that he had mentally produced to the form of a sufficiently tight personal construction of a small business model which he felt could work for him.

*Flesh on the bare bones business idea:* Integral to the 'loose to tight' owner manager personal construing process however were more detailed loose to tight construing activities which put 'flesh on the bare bones' of the overall product/market business idea.

Initial owner manager ideas with regard to a falafel product form and mode of distribution appropriate to the UK market had to be worked up by the owner manager through consideration of the potential customer base, dialogue with friends, acquaintances and food sector key informants and through trial and error and experimentation. Integral to this process was determination of overall menu form that offered a central falafel fast food product, but which also provided complementary food and drinks offerings.

The successful start-up of Hoxton Beach thus has its origins in owner manager creativity embedded within a number of intertwined business strands involving his loose to tight construing which has produced:

- *Creativity in product development* resulting in an innovative (to the UK) fast food product in the form of authentic falafel wraps rolled tight as enjoyed in Damascus, Cairo and Beirut; and which sit within a growing product range of vegan food from the Arab Near East and South Asia
- *Creativity in building distinguishing competitive posture in the marketplace* in the form of 'delicious and healthy fast food' which differentiates Hoxton Beach from traditional existing fast food providers who rely on less healthy product forms to build their customer base - and ultimate establishment of an Hoxton Beach brand which denotes quality and authenticity; and
- *Creativity in distribution channel mix*, which through a creative process underpinned and extended by experiment and trial and error, currently takes the balanced form of

own market stall and café outlets together with wholesale to other retail food outlets and outside catering.

*From Creativity to Innovative Development:* Thus, for Hoxton Beach, owner manager creativity was the starting point for streams of innovation within an innovative business whole - not least in the yoking of apparently unrelated issues or ideas. In effect strands of owner manager creativity fed streams of innovation to make up the holistic Hoxton Beach in terms of market positioning, product development, market development and communication with and, distribution to, a diverse London-based multi-cultural customer base. And this whole is underpinned by owner manager successive approximation and re-approximation (successive challenging and questioning of existing personal constructs) in the key operational and developmental areas of Hoxton Beach. In effect, one can identify an ongoing process of owner manager loosening of personal constructions that produce new accompanying strands of manager creativity and creative thinking, and which feed, through tightening of loose constructions and their testing, the progressive innovative development of Hoxton Beach.

This section in its totality has provided key Hoxton Beach development context from which to proceed to critically assess the detail of the constituent strands of the organisation's business activity and identification of potential areas of new strategic development and opportunity for operational improvement.

## **4.2. Foundation Strategic Position Analysis - Hoxton Beach Core Business Activity**

### **4.2.1 (a) Markets Provision:**

#### ***White Cross Street:***

Hoxton Beach's White Cross street outlet is in the form of a market stall within a street market of mainly food stalls (other odd retail stalls are scattered along the street, such as selling batteries, day to day household wares and so on). The street is also made up of shop outlets but which are nearly all closed, empty or run down - the White Cross Street market is located on the actual street which is bordered by the empty shops and is closed to traffic. There is a very good level of lunchtime demand. Observation analysis during lunchtime highlighted how customers who are using the many food stalls appear to be mainly office workers who are regulars that walk in from their workplaces to purchase food; and passers-by and local resident regulars.

Takings at the White Cross market stall were, at commencement of interface with the owner manager, approximately £500 per day Monday to Friday. Every passing day the stall was breaking new takings records. As at May 2009 White Cross Street takings were approximately £920 per day and £3,000 per week.

The stall did not incorporate a marketing or promotional fronting - but uses large menu signs.

The Hoxton Beach customer base appears to a great extent to be everyday users - who have already tasted and are won over by the product. The falafel wrap is an extremely delicious and quality product with great potential: whole meal wrap, fresh made falafel and vegetable covered content; with or without pickles or chilli.

Base product offerings and ingredients mix are freshly made in an Hoxton Beach main Central Kitchen unit (assessed in detail in later sub-section below) and delivered in refrigerated vans - and then freshly made tight wrapped into the ultimate falafel, etc. wrap

product at the retail point of sale. The outer wrap is bought in from suppliers in packs of 6 or 8.

One neighbour problem exists - queues for the Hoxton Beach stall impose on the next stall: Hoxton Beach's owner manager, Patrick, was at time of analysis responding to provide guiding signs for customers' queuing and barriers to funnel the crowd around neighbouring stalls.

The Hoxton Beach stall is manned by two male members of staff - who appear to be very efficient and friendly in preparation, taking of orders and serving the final product. It is, however, a stressful peaks-troughs interface and ability to maintain a cheerful, customer friendly orientation at the same time as maintaining efficiency and minimising waiting times will stretch even the most capable of staff. Patrick has developed operational guidelines to assist staff members, which includes taking orders in customer batches of four.

Discrepancies in takings had been noticed at both market stalls (White Cross Street and Goodge Street) and a new system involving staff signing for units of bread inputs received at start of business has been implemented

*Rolling summary re potential development activity* (i.e.: potential development activity unfolded as analysis unfolds):

- Currently, the stall does not offer drinks with food - thus there is clear potential for coffee and cold drinks (which will increase takings and margins)
- There is potential for and a need to Increase formalisation of operational and financial control processes

- If the authorities choose to renovate the street what alternative site in this high-demand vicinity is available for Hoxton Beach: action - to identify alternative site and/or nearby additional sales sites
- There is potential for offering of structured training for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs

***Goodge Place:***

Hoxton Beach's second market stall is located in Goodge Place, just off the very busy Goodge Street. On the analysis visits the stall was attracting only sporadic customers. Hoxton Beach is one of only two market food stalls on the street end off Goodge Street - and is partially hidden by the other stall which is almost on the Goodge Street junction. There is a very good passing trade potential - walkers along Goodge Street and local office and shop workers: but currently it is likely that many potential passing customers remain unaware of the existence of the Hoxton Beach stall and/or of the nature and form of its quality falafel product offerings.

Takings as at January 2009 were less than £200 per day (varying around £160-£180) - in what is a very busy thoroughfare at the main road junction only yards from the market stall's location: but, as at May 2009 takings had increased to £285 per day.

The stall has a worn white tarpaulin type cover with no promotional sign boards or other marketing forms - there is great potential to enhance this and to address the tricky issue of

an 'ironic location': i.e.: location on the edge of an extremely high level of people footfall; but partially hidden because of an off-main street location and hidden behind a competitor stall.

Patrick states new tarpaulin and promotional boards will cost approximately £1,000. The Hoxton Beach delivery van Polish staff member, up to recently, parked up in the street doing nothing until wanted to undertake further transport activity (another staff member manned the stall). The delivery man is not a dynamic individual. When asked for opinions re enhancing performance or development he was not able or bothered to respond or to think of possibilities.

On the first analysis visit this worker had thus spent a significant amount of time as downtime waiting at the back of the Goodge Place stall - but on second assessment visit to Hoxton Beach, Patrick stated that the worker is now actually working at the Goodge Place stall on slack time period - and is accepting the situation quite well. This worker does not plan an efficient or effective delivery route to Hoxton Beach retail outlets for his delivering of daily orders; and uses an extra staff member to assist.

*Rolling summary re potential development activity* (i.e.: potential development activity unfolded as analysis unfolds):

- There is potential for careful design and development of marketing and promotional approaches and materials to communicate the differentiated Hoxton Beach product offering
- Adopt an incremental approach to promoting the market stall offerings (for example, new promotional boards) and then plough back resultant increased

revenues in new tarpaulin cover and enhanced promotional material/boards (rather than a one-off high cost promotion action of purchase of the full range of brand new promotional boards/equipment/tarpaulin).

- There is a key need to foster 'improvement oriented' thinking amongst Hoxton Beach staff - for example, the above stated unwillingness of the delivery man to 'think Hoxton Beach' and to use initiative; plus a second example of a market stall fryer breaking down - there is spare capacity in such situations in the form of a back-up fryer which should be switched on: at the time of the breakdown the staff member did not have the back-up fryer switched on so could not use it when the main fryer failed and the rest of days trade was lost
- Potential for nurturing common sense thinking and approach amongst some staff may be limited - and thus a clear structured source of guidance and guidelines frames of reference may be essential for such staff (a custom designed operations manual would form a key source of this guidance)
- Once again, there is potential for offering of structured training for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs

#### **4.2.2 Hoxton Beach Own Retail Café Outlets**

##### ***Clissold Centre Cafe:***

Hoxton Beach moved into Clissold, a busy Leisure Centre, in October 2008 as a café provision. It is well situated within the Leisure Centre which provides swim and exercise facilities for the local public - and thus offers a captive visiting audience target clientele. The



café facility is a pleasant spacing with tables and seating overlooking the Centre facilities. Food can be made from scratch in an attached kitchen.

Hoxton Beach does not have to pay rent. The Clissold Centre owners want the refreshment provision as part of a total service offering. The captive audience, however, is predominantly oriented around the Centre users' visiting periods - one corollary of this is that Hoxton Beach is not yet attracting customers early morning and evening.

Thus, the cafe is busy from midday -but dead by 2pm. Then peak at 3.30pm when mums bring their children in after school.

With regard to staffing: one staff member commences at 8am. One commences 12midday. Staffing issues arise -the female manager recently left: and a new reliable, good quality replacement manager appointed.

Patrick is often left in a position of filling in on operational food preparation - to the extent that his ability to foster and implement operational and strategic improvements within Clissold and across the wider Hoxton Beach activity in its totality is constrained or impaired.

Takings within the Clissold cafe were £200-300 average per day as at May 2009.

*Rolling summary re potential development activity* (i.e.: potential development activity unfolded as analysis unfolds):

- The Hoxton Beach product/service offering within Clissold is varied and of high quality - but it is not adequately communicated and promoted at point of sale and around the actual café: including the nature and form of Hoxton Beach's speciality

foods. Thus potential for improved marketing and promotional approaches - within the bounds of advertising/marketing limitations imposed by the Leisure Centre

- There is potential for effective marketing activity to attract customers in low demand periods (mornings up to midday; 2-3.30pm)
- And possibility for extending the operating day to offer light evening meals - and make fresh falafel when kitchen fan is working (fan currently out of operation)
- There may be potential for applying for a drinks licence (subject to local authority operating parameters) and supplying Hoxton Beach own range of wines
- Once again, potential for offering of structured training for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operating and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs

***London Fields Lido Café:***

Hoxton Beach's London Fields Lido Café is located within a local authority outdoor swimming centre in a very pleasant park setting which because of its heated swimming provision does attract a low level of swimmers (and thus potential customers) even in bad weather, but in good weather is a main leisure attraction.

Because the centre is weather dependent Hoxton Beach does have difficulty attracting adequate levels of trade in poor weather periods - and means it is difficult to determine when it is worth opening and staffing the café.

The Hoxton Beach café provision is in the form of two cabin type serving areas at each end of the pool and service to customers is from a hatch type opening - the park-end café hatch

opens out to the non-pool using public who may be using the park or merely passing-by on a walk through the park.

Product offerings include freezer stored falafel which is prepared in a microwave oven - but overall offerings are limited. Currently the existence of the café and its product offerings is inadequately promoted and communicated to the potential customer-base (passers-by, park users and swimmers).

Takings on a poor weather day can be as low as £5 - on a good weather day and during the summer period the centre and park are packed and the café produces a sound income stream: As at May 2009, takings were approximately £1,000 per week; and a new mother and son management/operational team commenced running London Fields.

Patrick is well aware of the peaks-troughs nature of the seasonal demand format London Fields; and of the need to improve marketing and promotion - but struggles to create the time to address the issue of point of sale promotion.

He has identified the potential to utilise a mobile unit on the forecourt of London Fields - Hoxton Beach already owns one such unit which is stored in the central Kitchen Unit. The forecourt also lends itself to the development of a pleasant seating area convivial surroundings; for example, through use of plants - Patrick has now commenced improvement of customer environment through installation of ambience enhancing items such as a faux 'palm tree'.

*Rolling summary re potential development activity* (i.e.: potential development activity unfolded as analysis unfolds):

- Opportunity for enhanced marketing and promotion activity to communicate to potential customers the existence and nature of Hoxton Beach product offering
- Integral to above - ongoing build-up of the café surroundings, environment and ambience (including build-up of exotic/garden type surrounds to communicate a leisure/pleasure/relaxation eating and drinking experience)
- Also integral to the above - emphasis on and communication of the quality/'nice fast food' eating experience Hoxton Beach offers, especially with regard to its falafel product offerings
- Installing of the mobile unit onto forecourt - adorned with customised promotional materials to give focus to the Hoxton Beach differentiated offering
- To achieve above and other operational improvements, Hoxton Beach needs a cash injection - but to come from cash flow/retained profits
- Once again, potential for offering of structured training for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs.

#### **4.2.3 Direct Shop/Cafe Outlet (wholesale) Customers**

In addition to its own outlets, Hoxton Beach also supplies (wholesale) a number of direct shop and cafe outlets.

One small coffee shop chain (name withheld for confidentiality purposes) closed all shops, owing Patrick £5,500. Hoxton Beach total takings for this chain in the last trading year was £18,000, including the £5,500 owed - however, this chain has two remaining shops re-trading under another brand and Patrick may return to use of these outlets on a cash basis.

With regard to supply of Whole Food Markets, Patrick feels recession will hit demand: organic food could be one of the first areas of cost savings by hard recession hit customers.

As at May 2009, direct shop revenue had gone down: partly because the markets for organic and health foods are down; partly because Patrick is no longer chasing leads in this area (due to time constraints). Also, shops generally are trying to reduce costs by making food themselves instead of buying it in.

#### **4.2.4 Hoxton Beach Central Kitchen Unit**

All base food for Hoxton Beach's customer outlets and much of the food for Hoxton Beach's own market stalls and café outlets is prepared daily at the main kitchen unit at Willesden Junction - and delivered by Hoxton Beach itself to the market stalls, cafes and the retail outlet customers.

The kitchen also has a self-contained office with computer, fax and printer which is the administrative area for managing daily orders, interfacing with suppliers and other operational routines. Whilst relatively well equipped, some kitchen equipment is not working and may not be repairable. The floor is near the end of life cycle.

The kitchen unit is not efficiently run-but noticeable improvements are being progressively achieved: for example, 'statutory stuff' and food preparation operations are now much better under a new head chef.

The Kitchen unit is currently too big. Hoxton Beach is contracted to the kitchen until 2011.

It is not efficiently staffed - at times it is overstaffed; also quality levels of some staff is questionable.

A key constraint on development is the issue of achieving requisite quality operational standards within the kitchen - whilst meeting base cleanliness and health and safety levels.

British Retail Consortium (BRC) global standard accreditation: 'safe and local supplier approval' is a pre-requisite for developing the business through build up of major customer outlets such as the supermarkets. For example, Pret' has shown interest in Hoxton Beach pickles - but only if Hoxton Beach gains British Retail Consortium global standard supplier approval (this is also demanded by the likes of Waitrose: one cannot sell to supermarkets without the BRC accreditation)

BRC accreditation involves inspection and due diligence of Hoxton Beach kitchen.

*Rolling summary re potential development activity* (i.e.: potential development activity unfolded as analysis unfolds):

- Potential exists to sublet an area of the unit (Patrick is already looking to sublet)
- Close examination is needed of requisite operational processes in terms of operational actions, requisite quality and health and safety levels and procedures and daily food products output levels - as basis to determine associate optimum staff levels to achieve those daily quality outputs and thus effectively supply Hoxton Beach and direct shop retail outlets
- Linked to above point - assessment of necessary actions and underlying cost of achieving requisite quality operational standards within the kitchen to meet British Retail Consortium global standard: this as a basis for spring boarding into new supermarket and other quality retail outlets

- With regard to financial management and control, potential exists to focus the kitchen unit as a cost centre which would also form foundations for future strategic development such as franchising (this suggestion unfolded from Patrick's current recruitment activity regarding employment of a qualified individual to undertake Hoxton Beach bookkeeping and financial management)

#### **4.2.5 Moving toward Describing and Conceptualising Hoxton Beach Product and Service Offering**

A combination of ongoing interface with the Hoxton Beach owner manager, analysis visits to Hoxton Beach retail points of service and interaction with Hoxton Beach customers facilitates description and conceptualisation of the nature and form of the Hoxton Beach Product and service offering - and thus the potential to foster differentiated stance - to encapsulate the following:

- 'Fast food that is healthy'
- 'Healthy food' provision – vegan Lebanese food. *But do not advertise exactly what you do in terms of 'health orientation/green'* – too many companies making a play on it rather than just doing it
- Deliver more than we promise
- Healthy and authentic falafel and other Middle Eastern vegan food
- Authenticity rooted in a product enjoyed for 1,000 years
- Falafel wraps rolled tight as enjoyed in Damascus; Cairo; Beirut

- Freshness – ‘prepared as you wait’; made freshly with salad, tahina and Hoxton Beach home-made pickles: to a time-honoured Lebanese formula; but using organic English cider vinegar
- ‘Value for money’ - goodness, substantial and filling snack-meal
- A value for money, goodness based fast food
- Falafel; as a growing range of healthy and delicious Lebanese vegan food
- Integral to above - competitive price vis-à-vis, for example, sandwiches or McDonalds type offerings
- Product taste which crosses cultural boundaries (considered delicious across cultural boundaries) - thus offering great developmental potential
- Made and delivered or served 5/6 days a week
- Pricing approach is based purely on competitor product pricing - which is the main determinant of what price can be achieved with such a product. Though potential to ‘premium price’ some market niches based on communication of differentiated superior value of product offering vis-à-vis run of the mill fast food providers

#### **4.2.6 Setting Hoxton Beach in its External Operating Environment - External Analysis of the**

##### **Economic and Market Sub-environments**

The strategic position analysis to date has constructed insight of the current state of operation of each strand of Hoxton Beach business activity and integral areas of potential operational improvement and development. However, the present (2009) perilous state of the economic and market environments in which Hoxton Beach is striving to grow points up the need to produce fully rounded assessment of those environments - as basis for further



reinforcing or adjusting of the researcher's and the owner manager's existing personal constructs of Hoxton Beach within its external operating environment, including perspectives of the nature and form of the potential enabling and constraining forces and issues which do or could impact the business. Such external context understanding is posited within this overall strategic development analysis as essential for firming up (or dismissing) current rolling analysis-identified areas of potential improvement and development activity and the unfolding of alternative or additional options.

**(a) Economic Environment** (Summary insight as 2009):

*Economic Activity:*

- The UK economy and wider global economy (2009) is in severe downturn which is anticipated to continue through to 2011
- Overall economic activity (consumer expenditure; business investment spend on new equipment, etc; overseas spend on UK exports) continues to decline
- Latest figures on the health of the manufacturing and services sectors in the UK confirm contraction: the key indicator of manufacturing activity, the Purchasing Managers Index (PMI), continues to fall: it is already well below the 50 level that separates expansion from contraction (overall activity fell 1.5% in quarter 4 2008 vis-à-vis a year earlier; and the indicator points to a similar fall in quarter one of this year)
- The services PMI edged up for the third month in a row, but remained deep in contractionary territory

*Interest rates and value £:*

- The Bank of England has reduced interest rates to record low levels in the hope of engineering a kick start to economic activity - including encouraging the banks to resume mortgage lending and to make working and fixed capital finance available to small businesses
- The value of the £ has dipped against the euro and dollar providing potential benefits to some exporters and impacting on cost of imports and import penetration
- Many small businesses continue to report that the banks are failing to make finance available to them - including under the government's new Enterprise Loan Guarantee Scheme
- However, learning conversation interface with NatWest bank suggests that they have money to lend small businesses - if the business: (a) demonstrates a viable project or viable existing business base; (b) the request for borrowing is clearly presented to demonstrate viability; and (c) the business can provide adequate levels of security

*Rolling insight re key economic issues:*

- There are promising signs: Pace of decline is moderating at home and abroad; some movement in the housing market; prospect of a turnaround in the inventory cycle
- But credit is very tight for businesses and individuals; and there is a danger of permanent credit rationing
- There is a possibility that the dramatic downturn in world trade may fail to reverse itself
- Thus, short economic recovery may be followed by another dip

- Regarding spending - many people will have no choice but to cut their spending because unemployment is rising and average earnings are down on a year ago. However, many people who are in work will actually see their earnings rise significantly in real terms (RPI inflation is negative)

### **(c) Market and Competitive Environment – Food Sector Analysis**

Hoxton Beach relies upon essential and discretionary consumer-spend on food -willingness and ability of consumers to spend is falling significantly within the UK and globally and in some sectors such as the car industry is slumping. This sub-section identifies and assesses key enabling and constraining issues and forces within the food sector. The resource of mainstream market research organisations is utilised to provide key strands of informing context:

*Brand week (March 2009):*

- Consumers' purchasing decisions are based primarily on *perception of product value* - rather than price alone
- *Expectations of brand being good value* - as opposed to simply low-price: were up 20% on previous year
- *Shopper consciousness has shifted* from just trying to ferret out deals *to looking for brands that provide value*
- Aspects of value: the *concept of value* embraces other attributes as well as cost- especially *perception of superior quality*
- Even more expensive products can retain customer loyalty in a recession as long as they are considered to represent value for money

- Other highly rated factors included: products being *available in a range of sizes* so consumers can choose best for their need and their budget
- And perception of a product having *a superior flavour*
- Consumers will continue to focus on *fresh, local, quality products* - even if they are feeling the economic pinch
- Even the current surge of interest in *private-label* products has been *driven by quality* rather than price alone

*UK Food and Drink Resist Recession Pressures* (Foodnavigator.com February 11<sup>th</sup> 2009)

- Sales of non-food items are down on last year - but *food has bucked the trend* (BRC)
- Food and drink is holding up well -*suggesting an industry that is recession resistant*
- The food and drink industry is *also very adaptable and very much in tune with its shoppers*, fashioning product offerings to their changing needs
- However, *consumers are increasingly price sensitive* - 38% of shoppers cite price as a main driver of product choice (29% last year)
- Shopping around for the best value- but *not letting recession get in way of enjoying a high standard food and drink they consume at home*
- *Frozen foods are showing real potential*- survey shows signs of revival for the frozen foods market: consumers are switching back from higher priced chilled food to frozen alternatives to save costs and reduce waste
- There seems to be a *direct link between recession and boom in frozen foods*- 'The underlying reason is value'(British Frozen Food Federation)

*The Hartman Group* (April 2009)

Key consumer trend toward perceived value includes:

- Becoming more interested in *foods that seem to be less mass produced*
- Those that include *a narrative* about craft values and traditions
- Those that use fewer, but *higher quality ingredients*
- There is a gradual shift such that *communities, families and people behind the food* are *as increasingly important as the food itself* when it comes to healthy high quality eating experiences
- Consumers will move toward *a celebration of food, healthy eating and better awareness for immunity and digestive eating* (rather than detoxifying diets and vitamin supplements)
- In particular, Hartman Group predicts *permanent growth for private label products*
- People are dining out less and it is therefore likely *there will be more interest in prepared foods*
- And consumers are swapping from more to less expensive retailers

#### *Fast Food Nation (UK) (April 2009)*

- As the recession takes effect on consumer spending behaviour, *fast food is undertaking a resurgence* as offers of *cheap, filling food attract custom*
- For many' *eating in is the new eating out*'- people are finding it harder to justify taking family out to eat
- Currently there are significant job losses - but not in the fast food sector
- *A third of Dominoes 2.7 million households* it delivered to in first 6 weeks of 2009 were *new customers*- and they are *spending more on fast food than their regular clientele*

- People are *forgoing treating themselves to expensive restaurant meals* as they perceive it as over indulgent *-but still want to treat themselves* so will order fast food for delivery instead
- Many will still have side orders and dessert - so it feels like a special treat (but at the same time the bill is still less than restaurants)
- Fast food reputation for being *cheap, cheerful and filling*– plus the idea of *having a little affordable treat* is creating a boom in sales where other businesses are losing out

#### **(d) Summary of Hoxton Beach-Relevant Key Factors Driving Consumer's Purchasing Decisions and their Implications**

The current recession is, at the time of this analysis, having a severe impact on consumer spending behaviour. With regard to food consumption, many people are reducing their spending on traditional restaurant eating, with some judging that such expenditure needs to be cut completely.

However, for many notching down to fast food spending is a natural option and fast food restaurants and takeaways are seeing, if not a renaissance, a significant upturn in demand. A combination of the pace of the modern life style, pressures of working families with associate need for convenience and timesaving and a desire to continue to have some form of treat even in hard times, is driving this upturn.

Moreover, integral to this recession-underpinned shift in consumer behaviour is a hardening perception toward product value, rather than an orientation to price alone. Shoppers may spend time looking for good deals but also are steering toward brands that provide value. And consumers are judging value from consideration of a number of attributes: cost,

perception of superior quality, availability in a range of sizes, superior flavour and continued focus on fresh, local quality products.

People are becoming more attracted by foods which they perceive as less mass produced and many consumers are endeared by foods which embrace a narrative about craft values and traditions. In this regard Hoxton Beach's focus upon falafel and its origins and associated cultures builds on this behavioural trend and the integral behaviour shift toward perceived importance of communities, families and people behind the food as much as the food itself when it comes to healthy quality eating experiences.

Consumption trend is also toward fewer but higher quality ingredients and an integral progressively increasing awareness of the importance of healthy eating and immunity and digestive eating -this a key behavioural orientation which favours high quality, healthy fast food provision offered by Hoxton Beach and which adversely impacts on burger-type fast food retailers.

Finally, the growth in demand for private labels is permanent and opportunity exists to build and 'exploit' the Hoxton Beach brand, including seizing on the initiative to fully respond to all strands of shifting food consumption trends and behaviours (such as innovative provision to the unfolding 'eating in is the new eating out' and 'increased interest in prepared foods' - perhaps taking the product to the consumer home as well as the current 'consumer to our outlet' approach).

'Food sales' is a very adaptable market - our base food intake is an essential spend and many of us also have a block of discretionary spend in which food represents a pleasure, leisure, entertainment slice of our lives. Fast food is perceived by many consumers as cheap,

quick and easy and though quality is a key dimension of purchase, 'standardised quality' provided by many fast food sellers which sees consumers accepting 'quality as blandness' is of a level which offers niche opportunity for 'tasty' fast food providers to seize.

The current economic climate is forcing people to economise on their base food spend and to cut their discretionary spend - there is thus opportunity for fast food providers to be innovative in production and service and provide a 'quality', 'delicious' and 'value for money' product: both for in-proximity-to-sale consumption; and as a takeaway.

Developing and delivering a product which represents excellent value for money and a truly unique eating experience facilitates building a loyal customer base. To deliver a memorable product and service to the fast food customer base involves two key dimensions: (a) the 'value for money' product; and (b) integral efficient and low cost production/service capability - thus innovative, organised, high quality production/service founded on a minimum cost base that is underpinned by tight control of stock, waste and cash; together with well motivated and performance related-rewarded staff.

Moreover, the current recession is also likely to reveal a growing business community-located fast, convenience food consumer base (many who are downgrading from lunchtime restaurant eating) - and thus increased opportunity to attract trade from within local business communities.

#### **4.2.7 Owner Manager Developmental Aspirations and Added Research**

##### **Partner Analysis Perspectives**

The base need is to put Hoxton Beach on a sound footing (cement and deepen present foundations) this year: and then expand next year. Integral to this is *improvement and*



*enhancement of existing core operational provision* - currently proceeding on a very sound and excellent product offering basis: but size and form of operation and reliability and ability levels of some staff result in a fire-fighting style of day-to-day operation.

There is need to work through and formalise day-to-day operations, systems and processes; and to assess current staff abilities, commitment and motivation. Integral to this is design and development of an operations manual - and of appropriate staff performance-related reward and progression systems.

The operations manual will be built out of Patrick's base procedure notes already provided - and to also form foundations of an ultimate franchise operations manual (commensurate with a franchise model to be derived from this overall assessment - see initial skeletal ideas below).

Current development funds required are estimated at £30,000 - but not all needed immediately. Early stage funds that are required relate to a working capital injection and to facilitate addressing a long shopping list of relatively small items (such as an approximate £5,000 spend on the Lido - mechanising and upgrading the kitchen; attention to enhancing the central kitchen; purchase of another delivery van; and progressive incremental enhancement of Goodge Place market stall and its promotion).

Outside catering has only been dabbled with so far (the Learning Trust is one example; Patrick also does children's parties at weekends at Clissold- which are 'at least a good cooperative thing').

The aim is to replace a lot of fast food with 'nicer fast food' and develop outside catering based upon Lebanese vegan food: for example, catering at launches.

With regard to provision to supermarket, 'we are not really in there at the moment' – Patrick is thinking of ringing Sainsbury's to talk about Falafel; has tried Waitrose but 'could try again'. He

feels that Hoxton Beach is not yet good enough to service the supermarkets. There is a need to pay a manager to bring the kitchen up to an efficient quality level -and not enough money to pay a manager (see Central Kitchen Unit section above).

Office and company deliveries are services which Patrick feels Hoxton Beach could develop; for example from the White Cross Street stall.

Opportunity also exists to pursue summer festivals locations, identify Health Food Shops as key outlets and assess the new St Pancras station development as a potential key outlet. The Olympics and pre-Olympics events offer events opportunities.

A key source of significant organisational growth is that of roll-out of existing tried and tested provision by region and nationally- in, for example, a McDonalds-type standardised delivery format franchise. In base-unit terms such roll-out may involve A3 shop location; refrigeration; fryer (as for fish and chip shop) - but not aiming to keep the fat hot: falafels are not a hot food item, but fresh.

The full potential for roll-out is to ultimately incorporate a widening of geographical scope of business activity to extend beyond local to regional to national and include an overseas presence: for example, in France falafel are well liked. Utilising a key mode of potential development and expansion that is based on 'build-out' from existing foundations of Hoxton Beach business activity provides the business with considerable levels of *flexibility* and *adaptability*- existing core strands of activity have the support of local markets and local

councils/development agencies and, other than the kitchen unit, have no leases attached and thus no tie-in. Thus, potential exists to expand, for example, through identification of key market locations - Patrick has already, in outline, identified two or three possible additional target market locations.

Opportunity also exists for extension of product development activity with regards to extending of current own organic pickles, including ready to use tahini. Demand for this is significant - it is very fashionable and Hoxton Beach could supply own brand into customer retail outlets.

*Rolling summary re additional 'partner analysis' potential development activity:*

- There is great potential via the supermarket route: including customers seeing and trying Hoxton Beach products from supermarket and knock-on to 'I will try in cafes' and at Hoxton Beach café/stalls outlets
- Thus an associate need to pursue British Retail Consortium global standard status (as discussed earlier above)
- There is potential to take a more considered and structured approach to supermarket-type customers: for example replace the 'I am thinking of ringing Sainsbury's' approach with a summary written proposal demonstrating the potential gains for the supermarket and the mutual benefits (of a proposed joint business model/form)
- A key proviso surrounding supply to supermarkets is the possible associate need for substantial increase in size of Hoxton Beach daily production levels: and whether this may compromise current focus on quality, freshness.

- A further alternative in delivery mode centres on the question of: what potential for a *Falafel-based Hoxton Beach premium restaurant?*
- The possibility exists for Internet-based service offerings - or at least better use of Internet in promoting and marketing Hoxton Beach
- There is significant potential for a franchise-type business model which is based upon self-employed partner status of, such as, stall operators - whereby the Hoxton Beach package offering to the stall holder includes carefully designed stall units and equipment, operations manual and training and central marketing support; for a 'self-employed status' type franchise fee (Note: a similar model is being thought through by Patrick with regard to supply to offices)
- At an operational level, with regard to records - there is a need for control processes such as a 'products to' customer outlets and a 'products sold through own outlets' record (with a matching 'inputs' record of ingredients, materials and final products taken up by each of Hoxton Beach's own outlets)

#### **4.2.8 The Development Outputs Derived from the Strategic Development Analysis**

##### **(a) Introduction**

The strategic development analysis presented above provides depth of understanding regarding Hoxton Beach historical development context, the current strategic and operational positions of the business and the ways in which the present external environment is impacting and appears to be unfolding. With regard to the practical objectives of the study, the strategic development analysis is an output in its own right - it provides in-depth contextual insight for the owner manager and has been built out of the

owner managers existing personal constructions of Hoxton Beach and his ongoing approximation and re approximation of those personal constructions as facilitated by the 'partnership working' input of the researcher, including the additional perspectives and insights produced by the researcher-led 'understanding build up process' and analysis (central to which was the ongoing personal construing of the researcher). It is presented above by the researcher (as his own progressive personal construct approximation re approximations build up of understanding) in descriptive analysis case study form as a key study output which provides: (a) the Hoxton Beach strategic analysis context from which the remainder of the practical business support outputs of the study were developed; and (b) an all-embracing business development context within which understanding and analysis of Hoxton Beach strategy development processes and strategic management form was undertaken. This section summarises the practical business support outputs of the study. The following section (section 3.0) analyses Hoxton Beach strategic management.

### **(b) The Strategic Development Analysis-Facilitated Business Support Outputs**

The underlying business support aims of the Hoxton Beach project were to undertake in-depth strategic development analysis of the business in order to identify areas of improvement with regard to current business focus and areas of potential strategic development convivial to the underpinning of sustained business growth. This manifested itself in the form of agreed project outputs which are summarised below, effectively as sub-outputs from the strategic development analysis. These outputs are presented in fully-documented form in the thesis appendix'.

The potential for improvements in current Hoxton Beach operational activities and in strategic development were captured in a customised researcher-designed 'Hoxton Beach Development Frame' – effectively, a succinct 'working-document frame of reference' to guide owner manager focus and requisite and potential operational and development activities and actions.

The 'Development Frame' is presented in two sections. Section one focuses predominantly on key areas of requisite development activity within the current operating period, in order to improve efficiency and effectiveness of existing core markets, products and processes activities. It also alerts the owner manager to the potential for parallel strategic awareness regarding identification of new or additional strategic development opportunities. Section one thus relates to the current operating period of one year. It firstly focuses on improvements of 'the way we do things' - providing overview of identified areas for improvement. The Frame then directs 'Specific Actions' for each of Hoxton Beach's operational units (its market stalls cafe outlets and so on) regarding effecting the operational improvements, and enhancement of marketing and promotion approaches and of effective communication with customers and potential customers.

One such significant area of identified potential operational improvement is the design and development of a Hoxton Beach Operations Manual. A development activity which was followed through by the owner manager - this was actually designed and developed by the researcher and thus formed one strand of implementation within the project. And represents a significant practical output of the study (due to length the operations manual is not included within this thesis but is available for perusal if so required).

Section two of the frame formed a 'Strategic Development Frame' component – guiding the owner manager from a 'Current Business Activity Focus' to Owner Manager 'Preferred End'. The design of this strategic development frame reflects the nature and form of small business strategy development and strategic management which already represents best strategic management practice within Hoxton Beach - and which is analysed in detail in the next section (section 3) and within the integrated analysis of small business strategy development and strategic management processes within chapter 6.

In essence it builds out of understanding of the strategic management approaches, processes and actions which already work within Hoxton Beach (and in so doing also attempts to facilitate enhancement of those processes and activities). In particular, the development frame approach responds to the small business practice orientation against the use, and non-practicality, of detailed written long term strategic plans, the unlikelihood of ability to and appropriateness of the following of predetermined strategic development paths and of the setting of detailed long term strategic objectives. Instead it attempts to complement and facilitate owner manager use of a flexible mentally-held planning frame and an essentially ongoing adaptive learning mode of strategic management.

This component of owner manager guiding framework is thus formed as a 'flexible strategic development frame' encompassing intended strategic development strands in terms of owner manager 'preferred end' (preferred strategic direction for Hoxton Beach) - in the context of existing Hoxton Beach markets, products and process activities and their honing and refinement, and of current understanding of Hoxton Beach external operating environment and enabling/constraining issues and factors therein. The 'flexible' orientation of the strategic development approach facilitates owner manager creativity and innovation

through ongoing strategic learning with regard to progressive build up of understanding of the external operating environment, and change therein – and identification and seizing of additional or alternative development opportunities embedded therein.

Paths of future strategic development (owner manager current ‘preferred end’) are presented in order of potential sequential development - but with integral potential, where appropriate, for build-up of two or more of the development paths in parallel (and/or of additional identified development paths progressively revealed by owner manager ongoing strategic learning).

The paths of future Hoxton Beach strategic development revealed by the strategic development analysis and embedded within the strategic development frame include:

- Development of delivery provision to offices and businesses
- Expansion of outside catering and servicing of festivals and seasonal events
- Collaborative provision with selected supermarkets (though this has since been judged as running counter to Hoxton Beach’s ability to maintain relatively smaller batch focus so as to retain quality and freshness)
- Growth of the business through roll-out of the Hoxton Beach cafe or stalls model into other market niches (such as university malls)
- Growth of the business through development of a franchise-based business model
- Expansion into overseas markets (with France identified as a potential target country)



#### **4.2.9 Continuity of Study – the Build out from Project One: Development of the Franchise Option**

During 2011 a funding opportunity arose to enable ongoing partnership working between the research and Hoxton Beach - a project two stage in the study which prolongs its longitudinal dimension.

The government funded 'Innovation Project' facilitated researcher follow through on the potential identified strategic development opportunity of nurturing growth through franchising of the Hoxton Beach business concept. Such a project two enabled focus upon design, development and early stages implementation of the outline parameters of an innovative Hoxton Beach pilot franchise model in the retail area of the company's business activity. An overall medium term aim of the company is to secure growth in both its retail and wholesale components of its activity via franchise development. This project focused on the design and development of a franchise model to be piloted in the retail component of the business.

The first stages of the 'retail component' development, relate to the 'pilot' franchise form which will later inform design and development of an ultimate final franchise model to facilitate Hoxton Beach growth along its retail strand of activity. Within this project the overall planning frame developed was refined to guide implementation of incremental Hoxton Beach franchise pilot development actions - and those incremental development actions have been completed by the researcher as support provider in partnership working with the Hoxton Beach owner manager. Much of the build up and implementation of the retail franchise development pilot sits within the ongoing day to day business practice and development of Hoxton Beach and timings and completion of the project development

activities have been dovetailed into and undertaken within that business context. Project implementation has been completed as planned up to retail unit acquisition stage. A second stage support input (post this project) will take place following Hoxton Beach's completion of acquisition of the retail unit which will take the form of partnership working with the owner manager to complete implementation of the retail franchise pilot, assess the outputs and findings and work the pilot franchise model into a final franchise form. This second stage support will take the form of a further 'action research' project at no cost to the owner manager and which will produce publication outputs for both parties. The viability of this mode of partnership working is evidenced in an already completed academic article written by the support providers and the owner manager and published in an international management journal - and which has been very well received from reviews in a number of countries.

With solid business foundations now in place, development and growth of Hoxton Beach along its two core strands of activity: the *retail component* of its business activity and the *wholesale component* of its activity is a feasible and viable proposition. This is being done incrementally and has commenced with the first-step development of the retail component - that of development of a Brixton-based retail unit in the form of a franchise development pilot. Summary outline of completed and planned development actions; summary of project outputs and an appendix including indicative analysis activities and tools conducted and used to support the project development and Hoxton Beach development in its totality.

This project two phase of the study has to date produced the following outputs:

- An 'approximate base retail component franchise model' to be worked up on a pilot implementation basis and refined to final franchise model form (in the light

of learning insight derived from the pilot implementation). The base franchise model incorporates:

- The 'premises-based' form of the franchise trading under the Hoxton Beach brand
- Parameters relating to the specific geographic territory for the franchisee
- The issue of initial franchise fees and nature and form of training, marketing, etc. support and benefits to be provided to the franchisee
- Estimates of franchisee build-out costs (relating to fixtures, fittings, furniture, equipment and signage)
- Operating parameters relating to supplies and inventory of Hoxton Beach products and materials and of other supplies.
- Working capital requirements of the franchisee
- An outline action plan to facilitate 'pilot' franchise model development
- Franchisee Operations Manual - a foundation (not fully fledged end product) daily reference tool with regard to day-to-day Hoxton Beach operating procedures
  - A 'rolling analysis' document relating to the Hoxton Beach external operating environment - and specific enabling and constraining features relating to the food sector and fast food sector in particular
  - Summary financial assessment frames to facilitate Hoxton Beach assessment of income streams, costs and financing needs - and approach to external financiers

This project two phase of the study also provided additional Hoxton Beach development context understanding for elaboration of understanding of strategy development processes

and strategic management forms which have and are continuing to underpin development and growth of the business. Section 3 below draws upon the understanding unfolded in both project one and project two to undertake that elaboration.

#### **4.3 Strategic Management and Strategy Development within Hoxton Beach**

##### **4.3.1 Inadequacy of New Start-up Business Plans and Rational Long term Planning Process**

Approach to capturing just what the processes of strategic management and strategy development involves and looks like within Hoxton Beach draws in the first instance upon: (a) the traditionally prescribed rational long term rational planning process and (b) the by now tritely expected 'formal business plan business start-up format' as base comparative frames of analytical reference.

Unsurprisingly to this researcher and probably somewhat surprisingly to the traditional prescriber of small business advice neither of these management processes was followed by the owner manager. This section progressively highlights the nature and forms of Hoxton Beach strategic management and strategy development processes and their constituent parts.

For Hoxton Beach owner manager, Patrick, 'if we had had a business plan from the start it is likely that it would have triggered the tendency to go to the banks; and push us to buy over expensive equipment, to over-staff and go under. Instead we gradually built up with no bank support (a £1,000 overdraft only)'. Patrick's standpoint here is that following of the formal business planning pre-start format routinely prescribed by 'how to' books, entrepreneurship courses and the banks themselves may well focus the would-be entrepreneur on relevant issues, factors and forces which need careful consideration in the assessment and

determination of the feasibility and viability of a new business venture - but the process can also lure one into the build-up of a business model with an 'over-egged' or over-elaborate requisite resource base to drive that business model: thereby producing misleading perspective such as 'to kick start the business we are going to need this new equipment, this form of skills base, this number of workers - and this supporting level of bank borrowings', (Patrick, 2009 – reiterated September 2013).

Moreover, the following of a rational step planning process does not, indeed cannot, provide an accurate picture (either over-egged or appropriately egged) of what form and operational size the new business should take, or what should constitute its component parts or the key external factors and forces (such as the economy, the market and integral customer behaviour and the activities of direct and indirect competitors) which will impact the business. And the key reason for this shortfall is that rational long term business planning effectively involves a management process that relies upon information about the past and the present to predict required business forms and activities into a totally unpredictable and unknowable future (Stacey 1990).

In short, a benevolent reading of rational long term planning and pre-start business planning is that it orients the would-be entrepreneur toward and focuses him on key external environment issues whose relevance and potential impact he needs to learn about and understand and upon key internal issues relating to his particular business - but it does not do 'what it says on the tin' and if over-relied upon is likely to provide inappropriate and false guidance to the business user.

### **4.3.2 The Constituent Parts of Hoxton Beach Owner Management Strategic Management**

#### **(a) A Mentally-held Planning and Development Frame**

From his day one initial self mumblings and fumblings around the idea that there may be business potential surrounding falafel through to ultimate commercial realisation of that potential, the Hoxton Beach owner manager has rejected the notion of formal rational business planning and associated written plans and in its place progressed the business through what essentially is a mentally-held planning and development frame. Such a 'planning frame' parallels that insight conceptualised by Wyer and Mason, 1998; 1999; Wyer and Barrett, 2003; and Wyer and Donohoe, 2010 ongoing which highlights that 'owner managers do not use rational long-term planning modes of management to effect strategic control of their external environment, or to guide long-term direction of the business. They do have a mental, qualitative framework of future development - giving mental focus to current core markets, products and processes activities of the business; and a 'preferred end' of where the owner manager feels at the moment he or she wants to take the business in terms of future direction' (Wyer, Donohoe and Matthews 2010).

For Patrick, this mental framework is progressively enhanced as ongoing approximation/re-approximation of his personal constructs from initial hazy thoughts with regard to business possibility to linking of apparently unrelated ideas through to alternative worldviews (personal constructs) of potential for a business venture based on healthy fast food. At each step of this progressive adjustment and enhancement of his mental models (personal constructs) the mental framework encompasses his incrementally refined perception of

what a successful product form may take, who his customer base will or could be and what kind of business form could effectively deliver the product to those target consumers. Effectively the progressively developing mental framework builds out of ongoing strategic learning about the business and its potential - and in so doing provides focus for building of associate understanding of key external environment enabling and constraining issues which may facilitate or restrain initiation of the new start-up and subsequent sustainable development of the business.

### **(b) Strategic Control through Learning by Doing – the Role of ‘Try out’ and Experiment**

A key dimension of Kelly’s (1955) PCT is the proposition that we individuals as ‘man the scientist’ will seek to test out the validity of our emerging personal constructs as soon as possible and that we will do this by trying them out in practice. The Hoxton Beach owner manager had developed his personal constructs as to potentially viable falafel-based business proposition to a point of confidence sufficient to proceed in practice - but he felt he needed to confirm the validity of his perspectives of the viability of his business in test tube proportion manner. He thus proceeded in a ‘try out’ and experimental fashion through an initial small scale business form in the shape of falafel sales from a local street market stall. In so doing he was able to test out the product and take on board customer response to both the product and the distribution form. And to exert control over initial levels of fixed and working capital investment - effectively he ring-fenced the level of resource allocation to the business try out and in so doing proceeded not on a basis of ‘pure’ risk taking or of ‘calculated’ risk taking, but on one of ‘controlled’ risk taking.

The outputs and learning episodes of this 'business kick-start experiment' in turn fed-back into Patrick's personal constructs which he was able to define and confirm as valid where the feedback so suggested; or to adjust or replace if the feedback disconfirmed or invalidated any areas of his existing personal construct-based perceptions.

Such experiment and try out are prevalent owner manager learning and development activities through the entire growth and development of the Hoxton Beach business. And thus an important strategic control vehicle in the learning about, adapting to or exploiting of unfolding elements of the unpredictable external environment in which the business continues to operate.

### **(c) Networking**

Networking is a key learning and development activity for Patrick. However, the form that such networking takes requires significant qualification. It is not in the form of membership of or attendance at hosted business networking events. And it is not structured pre-planned networking - true proponents of the high level benefits of business networking consider it as 'a structured plan to get to know people who will do business with you or introduce you to those who will' (Entrepreneur.com 2013). Indeed, Patrick assesses himself as 'not great' with regard to building bonds and nurturing instrumental relationships: 'I really value my real friendships and I dislike 'networking' as it seems insincere. If I really like people in my business it is greatly helpful but wouldn't cultivate people consciously because I think they'll be useful'.

In response, proponents of formal networking would emphasise that it is not insincere or phony: 'a good networker will be sincere, friendly, supportive, a good listener or someone



who follows up and stays in touch' (Entrepreneur.com 2013). And yet common occurrence in the real business world and within business networking situations is the co-existence alongside the 'good networker' of the less scrupulous who exploit the network relationship to their own ends.

Thus it is with care that consideration of Patrick's Hoxton Beach networking form is assessed. Patrick is a very good listener, friendly, sincere and supportive - in short he has the key qualities of a 'good networker'. But it seems that it is these very qualities that make him wary of networking and the insincerity that can and does infiltrate networking situations. And it is these very qualities that thus orient him to a less concocted learning and developing form of networking whereby he establishes constructive rapport in both business and social face-to-face meeting situations. Put another way the business sitting in its external context provides a network of contacts and potential contacts on the boundaries of the firm's activities from whom Patrick from time to time learns through genuine chat and dialogue. These may be fleeting one-off dialogue interfaces - such as Patrick's learning with regard to product development from a supplier: 'we have now developed an Iraqi version of the falafel wrap (it has an Indian type mango pickle); in addition to our Lebanese wrap. So we have started making our own pickle. I discovered this randomly from talking over at a gas bottles suppliers and got the recipe off the internet (even though it is an Israeli recipe)'. Or the build-up of genuine relationship from ongoing interaction with resultant outputs such as how 'the local Hackney street markets manager really supported us'.

For Patrick, 'business is about a set of relationships and creating a skills base and competencies; and getting on with your customers, suppliers and staff'. And integral to this is a set of internal and external learning and development networks - the owner manager

and his staff who form the internal network interface with an external network of relationships and potential relationships; some of those external interfaces are fleeting one-offs whilst others are enduring relationships. Some are embedded in routine day to day business process interactions but extend beyond the specific business purpose of the particular interaction (such as an Hoxton Beach staff member learning about competitor activities from discussion with a supplier), some are in the form of ad hoc or accidental or opportunistic interface with an externally situated individual who has knowledge or insight relevant to Hoxton Beach. All are potential sources of Hoxton Beach learning and development. Such is networking for Hoxton Beach.

#### **(d) Dialogical Learning**

Brown and Bennett (1995) highlighted strategic dialogue as a 'special type of collaborative inquiry which supports the discovery of breakthrough insights that can significantly improve business results ... it is 'built on the operating principle that the stakeholders in any system already have the wisdom and creativity to confront even the difficult challenges'. Organisational members are able to draw significantly upon their own memory and knowledge of the organisation as a whole and resultant systemic thinking facilitates in-depth and novel consideration of key issues and circumstances facing the business. Importantly, for Brown and Bennett such strategic dialogue minimises the role of outside 'experts' in this organisational learning process.

Within the Hoxton Beach strategic development process such strategic dialogue is similarly crucial in the owner manager's strategic learning: the owner manager and other key decision makers within the business utilise strategic dialogue to 'articulate their mental

model's which shape key decisions as well as the deeper beliefs and core assumptions underlying both thinking and action' (Brown and Bennett 1995). In short, Patrick through dialogue with his staff and other key informants is able to surface and challenge the core assumptions and beliefs upon which his existing personal constructs are based and either make adjustment to or replace those personal constructs from his dialogical learning with alternative constructs which are more adequate for guiding his and his business's behaviour. Where this conceptualisation differs from that of Brown and Bennett is the role of 'outside' expertise. Hoxton Beach as a small business, not least because of its limited resource and ability base, relies upon knowledge and learning input sources far beyond that available in internal organisation staff base. As discussed in the above networking sub-section, the owner manager utilises daily routine interfaces and network interfaces with a multitude of external key informant experts - these include accidental or chance encounters with such as local authority managers or business support providers as well as intended interfaces with such as suppliers, distributors or potential or actual customers. Opportunity here includes in-depth dialogue enabling the owner manager 'trying on for size' alternative worldviews of outside expert key informants. Effectively, the small business operational unit becomes that of an open system (Lawrence and Lee 1986; Wyer 1990) - open to its external environment and those key informants that sit within the boundaries of its open system totality. As such, systemic thinking may at times be confined to the key members of the internal organisation; but at other times systemic thinking may also envelop key trusted external informants whose perspectives are listened to and occasionally taken on board through adjustment to the owner manager's current personal constructs.

It should also be noted, however, that within Hoxton Beach the main driving force has always been Patrick. The main learning and development and creative thinking derives from Patrick. Control and direction is in Patrick's hands. Thus, the main source of dialogical learning and networking activity that facilitates much of the dialogical learning is Patrick. The extent to which strategic dialogical learning and networking inputs derive from other staff members and is taken on board by Patrick seems to depend on the quality and initiative of staff employed by Hoxton Beach at any one time and the trust Patrick has in those workers. Within the catering industry staff turnover tends to be fluid - early days Hoxton Beach included some disinterested and lowly motivated individuals whose intuitive for learning and development networking and dialogical learning was low; the more recent staffing of the business includes Patrick's children who make significant learning and development input to Hoxton Beach.

#### **(e) Owner Manager Emotional Intelligence and Emotional Competences**

Integral to the 'practice perspective' of strategy is its orientation toward the work, talk, activities and competences of individual managers (Chia and Mackay 2007), effectively refocusing the build-up of understanding of competences on how managers 'do strategy' (Whittington 1996), rather than on the core competences of the business as a whole.

Strategy development and effective strategic management within Hoxton Beach is predominantly steeped in the positive talk, actions, work and integral competences of owner manager, Patrick - and key in this respect is Patrick's emotional intelligence and emotional competences, enveloping both personal and social emotional competences. Within this sub-section key owner manager emotional competences which have

underpinned and facilitated Hoxton Beach start-up and strategic development are identified and assessed using the EI Competences Framework (1998) as guiding analytical and competences descriptor frame of reference. The research process 'mechanics' underpinning the build-up of this emotional competence insight consisted of day to day working interfaces with Patrick, observations of his behaviours during his interactions with staff, customers and other key stakeholders in the business and from both face to face emotional competence-specific interviews with him and his written responses into paper-based requests (using the EI Framework as response document) for his own perspectives on his levels of emotional competence. The following analysis thus presents Patrick's own perspectives regarding his emotional competences, but qualified where appropriate by the researcher's perspective - in instances for example, where Patrick's own views have appeared over modest; or where he is overlooking existence of particular competences or the context in which they have been used.

### *Personal Competences*

Patrick's personal competences are evident in terms of self-awareness, self-regulation and self-motivation.

#### *(a) Self Awareness:*

*Emotional awareness:* Patrick has always valued the quality of emotional self-awareness- an ability to recognise one's own emotions and their effects, to know the emotions he is feeling and why; realising links between his feelings and what he thinks and does; and recognising how feelings affect his performance. He allocates himself 8/10 for these competences.

*Self-assessment:* He considers himself similarly capable with regard to self-assessment in terms of knowing his own strengths and limitations - he is aware of his strengths and weaknesses and to a great extent plays to these. Although an outsider perspective, from the standpoint of this research, sees Patrick all too ready to step into the day-to-day operation of the business. Certainly Patrick is a key, forefront player in the day to day running of Hoxton Beach; and the very nature of the business requires him to step into the breach to cover for staff shortages and muck in - but this 'operational strength' can be conversely construed as a 'strategic weakness' since it significantly impairs Patrick's ability to step back and give more time to detailed consideration of the 'big picture' of Hoxton Beach and potential strategic development opportunities.

This in turn, however, raises the issue of just how Patrick has managed to unfold understanding of effective strategic development of the business if he tends to contribute to his own 'time-strapping'. And the answer lies partly within other components of his self-assessment capability. A competence of reflectivity, with sound capability in learning from experience - thus an Hoxton Beach (Patrick) propensity to learn its (his) way forward by 'testing out' an initial emerging creative idea and learn from the pros and cons of the experimental test out. This ingrained with a competence of openness to even the most cutting of feedback and to new perspectives and an orientation to continuous learning and self-development.

*Self-confidence:* Patrick does, however, feel that he has not much self-confidence. People with this competence have sureness about their self-worth and capabilities: they present themselves with self-assurance and have a presence. And yet perspective of 'outsider looking in' to Hoxton Beach and Patrick's management thereof suggests that Patrick

understates his self confidence levels - certainly he can at times appear rather shy and retiring, but he frequently demonstrates real presence and talks with authority on issues relating to Hoxton Beach and in particular its falafel product offerings and the history and culture contexts of falafel upon which Hoxton Beach so effectively draws. In qualifying his own perspective as to his self-confidence Patrick emphasises that 'though I think I don't have that much self-confidence, I am able to do the right thing, for example confronting colleagues when necessary, but probably not soon enough'. Self-confidence is in fact a key competence that has underpinned Patrick's initiation and build-up of Hoxton Beach - he is able to make sound decisions despite the high level day to day operational pressures within the business and willing and able to fight for the Hoxton Beach cause. Indeed, it is his enthusiasm for, and authority on, the Hoxton Beach product and service offering and the culture out of which it derives that facilitates the initiating and exploiting of many quality dialogical key informant learning interfaces which Patrick undertakes as major strategic learning inputs to Hoxton Beach development.

*Self-regulation:* Patrick shows a high degree of self-control, able to manage disruptive emotions and impulses. The day to day operation of Hoxton Beach not least with the requirement to meet absolute deadlines, with regard to timely deliveries to its whole customers and to its own retail outlets, and the need to effectively manage the underlying staffing and resourcing pressures that go with meeting those deadlines is facilitated in the main by Patrick's ability to remain positive and composed under those not infrequent 'pressure moments'. Such management competence in enabling effective day to day operation is of course also facilitating daily operational implementation of the already identified Hoxton Beach strategic development path - and in periods of operational

experiment and try out of new ideas (such as new product try out or new market niche toe in the water) such unflappable and composed operations management is facilitating and contributing to the unfolding of new Hoxton Beach strategic development path.

*Trustworthiness:* An imperative to Patrick is the personal quality of trustworthiness, the maintaining of honesty and integrity. 'I value this very highly though how far I succeed in "acting beyond reproach" others would have to say'. Integral key competences here relate to the ability to act ethically and to build trust through one's reliability and authenticity. And it is such trustworthiness that facilitates Patrick's negotiations with and build-up of supplier networks, the identification and establishing of new market outlets and wholesale customer bases and effective working relationship with his staff. Both the ongoing working interfaces with suppliers, customers and workforce and strategic learning interactions which key informants within these groupings can from time to time provide are underpinned by the trust and reliability which Patrick has built up and maintains with those key stakeholder groupings.

*Conscientiousness:* Patrick prides himself in 'always delivering a promise', thus demonstrating the quality of conscientiousness where he takes responsibility for his own personal performance and that of Hoxton Beach as a catering business entity. He holds himself accountable for meeting his objectives - but whilst conscientiousness incorporates expected competences of one being organised and careful in work, Patrick emphasises that 'I am naturally disorganised and rather avoidant. Plus, if I can't do anything perfectly I lose interest'. Researcher perspective reinforces Patrick's claim to conscientiousness - it is a main plank key driver of Hoxton Beach's development. Researcher perspective also, however, recognised Patrick's 'disorganised' trait - a not insignificant constrainer on the working



forward of potential new strategic development paths which this action research project revealed. Thus, as seen above, his high level self-regulation and unflappability competences drives the operational and paves the way for ongoing strategic development, but this is partly countered by a degree of disorganisation.

*Adaptability:* A key competency demonstrated by Patrick is that of adaptability, a flexibility in handling change. 'I am good in a crisis. But I do suffer when a crisis arises'. He is very able in handling multiple demands and dealing with change and shifting priorities. He can adjust his actions in the face of changing circumstances and it is his flexibility with regard to how he sees events which epitomises the build-up of Hoxton Beach as a business proposition and the various creative strands which were progressively developed to make up that Hoxton Beach whole.

*Innovativeness:* Patrick demonstrates a very high degree of innovativeness - he is very comfortable with and open to novel ideas and new information. In his words 'I am inventive to the point of being weird'. Indeed, such innovativeness and underlying creative thinking formed the origins of Hoxton Beach. As highlighted within the case study, owner manager creativity was the starting point for streams of innovation within an innovative business whole with Patrick effectively yoking apparently unrelated issues or ideas. And these strands of owner manager creativity fed streams of innovation to make up the holistic Hoxton Beach in terms of market positioning, product development, market development and communication with and, distribution to, a diverse London-based multi-cultural customer base.

(b) *Self-Motivation:*

*Achievement drive:* In broad brush terms achievement drive relates to striving to improve or meet a standard of excellence - a competence that underpins Patrick's nurturing and pushing on of Hoxton Beach. However, the finer detail of achievement drive as propounded within the EI Competences Framework expects individuals with this capability to be 'results-oriented, with a high drive to meet their objectives and standards; set challenging goals and take calculated risks'. Patrick suggests that 'I am rather conservative and timid. Rather than set a goal I tend to be pushed by a crisis or fear of failure. I have suffered in my life from not saying clearly "my goal is to be a front bench politician" or "I will write a great novel"; instead I chop and change'.

'Fear of failure' or 'crisis push' may thus drive Patrick on. But 'outsider researcher' perspective which has built up depth of insight of Patrick's pre-start, start-up and growth development actions in establishing and driving Hoxton Beach forward suggest that he has indeed set himself a challenging goal in the form of the incremental building of the Hoxton Beach business model and integral brand. Fear of failure within his life's road may at the outset have been an achievement driving force in the setting of this 'implicit' challenging goal and, along with any arising crisis, may also continue to be a drive force during his Hoxton Beach development journey. But the pre-start, start-up and progressive growth achievements integral to Hoxton Beach development can be seen as pursuit of a challenging, if implicit and incrementally evolving, personal goal - underpinned by a desire for continuous improvement and meeting of associate self-, customer- and catering industry- set standards of excellence. Other achievement drive-related abilities expounded within the EI competency framework, capabilities with regard to pursuing information to reduce uncertainty, finding ways to do better and learn how to improve performance, are key

competences integral to Patrick's 'learning his way along' initiation and development of Hoxton Beach the fine detail of which is elaborated throughout this case study.

*Commitment:* A key quality which underpins the ongoing successful development of Hoxton Beach is Patrick's total commitment to all aspects of the business. As to be expected, some aspects of the work he truly enjoys, other areas are pure chore. But the real indication of Patrick's commitment levels is his propensity to work the day-to-day routine catering and mundane business activities, be it undertaking product van deliveries to outlying wholesale outlets, completing daily kitchen tasks or covering for staff absence. Indeed, it is the resultant smooth running of the day to day which paves the way for and facilitates ongoing implementation of the Hoxton Beach strategic development path. 'Tick over' and 'progressive enhancement' of the day to day operational, due in great part to Patrick's commitment levels, reinforces and builds forward the Hoxton Beach foundations and emerging brand reputation and creates the springboard for ongoing strategic learning and try out development activity. Indeed this day to day strategic learning and development activity, such as Patrick's dialogue and learning interfaces with suppliers, existing customers and potential new outlet partners and organising of experiment or try out with regard to new market channels, epitomises a parallel layer of Patrick commitment at the strategic level of Hoxton Beach activity.

Couching the issue of commitment as per the EI Competence Framework requires a committed individual aligning with the goals of the organisation or group, with integral competences relating to the larger mission and readily making personal or group sacrifices in order to meet a larger organisational goal. To this Patrick suggests 'Nope, I am actually subversive and a non-joiner. Usually cynical about any larger organisation I happen to be

part of'. In this context, Patrick rates himself as a 2 out of 10 commitment man. However, in that he sets the goals of the Hoxton Beach organisation and the sub-goals and performance expectations of himself and his workers, facilitates worker ability to fulfil those goals, rewards those workers accordingly and gives his all to the organisation and workers, Patrick fully demonstrates a total small business organisation commitment in which he is the pivotal driving individual.

*Initiative:* With regard to initiative Patrick feels 'I am pretty good at this'. And 'partnership working' with Patrick strongly reinforces his self-views- epitomised by the manner in which he unfolded and 'constructed' the initial falafel-based business opportunity. Firstly, in terms of opportunity identification: the unearthing of disparate strands of insight about falafel, the culture within which the product was originally embedded, the 'fast healthy food' potential of the product and the possibilities with regard to sitting such offering in a diverse UK culture-base. And secondly, in terms of opportunity realisation: the 'try out' approach to learn about and develop the product offering and to incrementally determine and build appropriate mix of channel outlets, including the 'own retail outlet' - 'client wholesale outlet' mix. And, flowing through this, an individual, entrepreneurial mind-set and learning and development capability that attracts on board others who respect his creativity and enterprise and ability and desire to always deliver.

*Optimism:* Our emotional competence frame of reference posits optimism in terms of individual capability to 'persist in pursuing goals despite obstacles and setbacks; operate from hope of success rather than fear of failure and see setbacks as due to manageable circumstance rather than a personal flaw'. Again, Patrick emphasises how he is 'pretty much motivated through fear of failure - unless it is an obviously creative task in which case I take

pleasure from it in its own right'. Thus, in the main Patrick does not work forward on the basis of the emotional competence of operating from 'hope of success', but rather is nudged on by the 'fear of failure'. That said he certainly persists in the face of setbacks and obstacles, using initiative to circumvent arising constraints. In so doing, and indeed when being pushed on by fear of failure, one can argue that he is still proceeding on the basis of a degree of optimism as 'hope of success': resorting once again to Personal Construct Theory as interpretative frame of reference it can be argued that, even in an instance of fear of failure, Patrick will draw upon his existing and then adjusted or newly created personal constructs to inform his actions in dealing with an issue or setback- and that he is ultimately anticipating that 'if I behave in this way to deal with this issue this will be the outcome'. Thus, in this respect he is behaving from a standpoint of optimism and hope of success (for example, initial emotion of fear arose as response because Patrick's existing personal construct was not producing acceptable outcomes; the emotion triggered cognitive processing which led to a new 'if-then rule' [personal construct] and changed behaviour - and Patrick anticipated that this changed behaviour [application of his new personal construct] would ultimately lead to a favourable outcome).

Perhaps one can conclude from a researcher standpoint, that Patrick is very optimistic in most of his business activities and effectively deals with challenges and setbacks as they arise; and from Patrick's own standpoint that he is optimistically persistent in fulfilling his aims and addressing obstacles and setbacks en route, but that quite often it is fear of failure that triggers his positive behaviour and driving forward actions (fear of failure triggering careful thinking about the issue of concern and ultimate positive behaviour).

*Social Competences:*

(a) *Social awareness:*

*Empathy:* Patrick regards himself as 'not bad' with regard to the key competence of empathy - 'sensing other's feelings and perspectives and taking an active interest in their concerns' (EI Competences Framework). Integral to Patrick's strategic learning interfaces with key informants is an ability to listen well and to pick up on and feed off their emotional cues - understanding their perspectives and where they are coming from on key issues: effectively getting inside the personal constructs of others and 'trying them on for size' to see if there is anything in them for Hoxton Beach.

*Service orientation:* The essence of service orientation is the anticipating, recognising and meeting of customer needs and Patrick's high level competence in this regard forms the 'success foundations' of Hoxton Beach. His build up of understanding of customer needs, not least through 'probing talk-listen actions', products and distribution channel 'try out' and incremental adjustments and enhancements, provided the main plank to effective product development and to service delivery modes appropriate to the company's wide-spanning customer-bases and the nurturing of ongoing increases in customer satisfaction and loyalty. Information and insight is sought from a multitude of differing sources and in varying ways: from the specific search for relevant customer perspectives, opinions and views such as planned interaction with queuing consumers at the Hoxton Beach market stall; to day-to-day routine interactions with suppliers and deliverymen; to accidental encounters with such as gas bottle sellers who serendipitously offer suggestions as to potential for product adjustments or new product development.

*Developing others:* The lifeblood of any organisation is its workforce and their inherent capabilities. Hoxton Beach is no different in this respect. The more that it is successful and

grows its core activities, the greater degree it must rely on the ability and goodwill of its workforce. And developing that workforce in terms of 'sensing what they need in order to develop, and bolstering their abilities' (EI Competencies Framework) shifts from a 'desirable' to an 'imperative'. Patrick has dormant ability in this respect - but suggests 'I am lazy about this but recognise its importance and would like to do it more' In short, the development work that he has done is sound and crucial to Hoxton Beach's progress to date: he guides and nurtures his staff; he acknowledges and rewards what his people do well; and he provides feedback to reinforce good work behaviour and to help rectify weaknesses and mistakes.

Time and pressures of the catering trade is key constraining context as much as Patrick's declared 'laziness' - together with his tendency to over-absorb himself in the day-to-day operational routines of the business, and thus not create sufficient slack for staff development activities such as additional mentoring and timely coaching in response to clear identification of the nature and form of individual staff member development needs. To date staff members proceed on a daily basis armed with clarity as to what is expected of them and with training, guidance and resources to effectively complete their job tasks. Further staff development may well, however, tease out greater inherent and as yet untapped capability within more able and willing Hoxton Beach workers - and facilitate them growing into making more significant contribution to the tasks and goals of Hoxton Beach, and thereby contribute to the strategic development of the business, beyond their present operating level 'tick over'. At the very least, more emphasis from Patrick on the developing of others is likely to contribute to enhanced day to day operating efficiencies, cost savings and customer satisfaction levels.

*Diversity:* A mainspring of what Hoxton Beach is about is diversity and the anchoring-in of diversity. (Though when prompted with reference to the EI Framework-couched competency of ‘leveraging diversity’, Patrick replied ‘Man, wtf is leveraging diversity’). For Hoxton Beach the vital competency of diversity involves the drawing on various cultures and their norms as input to product and business form development, integral to which is the serving of a diverse customer range and the employ of diverse workforce. For Patrick there is also a development proviso, ‘Yes, I like varied backgrounds, but I don’t want people to stay too “diverse”. I want them to be comprehensible and to understand the culture they are in. This (anchoring-in diversity) is pretty much what my business is about so I will award myself 7.5 out of 10 in this respect’.

*Political awareness:* The ‘reading of a group’s emotional currents and power relationships’ equates to the emotional competence of political awareness. Patrick ‘dislikes having to do this - I am basically arrogant and would rather be a dictator and not have to bother. But I can get help when I need to’. Integral to this competence is the ability to ‘accurately read key power relationships, detect crucial social networks and understand the forces that shape views and actions of clients, customers or clients’. It requires capability with regard to reading situations and organisational and cultural realities - a capability which although finding distasteful Patrick is well versed and capable in: including strengthening Hoxton Beach’s ‘political’ position in the localities it serves through positive newspaper articles such as in the Independent (which also acts as free source of nationwide marketing); and the ability to read adverse reaction and attitudes from some key stakeholders on the boundaries of Hoxton Beach activity such as the attitude of one market manager.

*(b) Social Skills*



*Influence:* Patrick sees the emotional competence of influence (wielding effective tactics for persuasion) as ‘the ancient skill of rhetoric; plus I have done journalism so understand it and would rate myself as 8 out of 10 in this competence’. He is thus skilled at persuasion and able to refine verbal and written presentation to positively influence his audience both within Hoxton Beach and its service provision and those on the boundaries of the business.

*Communication:* The clear and concise communication of information and messages to the workforce in a time-constrained and pressure climate Hoxton Beach kitchen environment is key to effective functioning of day-to-day operations. As is sound communication lines to the company’s own cafe and market outlets staff. Moreover, openness to two-way communication with customers is viewed by Patrick as a key learning source to underpin ongoing refinement and enhancement of Hoxton Beach product forms and quality and overall service and customer satisfaction levels. Patrick emphasises that ‘I am not bad at all with complaints and negative feedback’- thus demonstrating not only willingness to learn from feedback, but also a receptiveness to not so good news as well as taking on board snippets of praise.

A good listener, Patrick has been observed to be effective in ‘give-and-take’ and adjusting his message and tone in the light of emotional cues picked up in conversation with staff.

During this project Patrick also expressed a desire to provide an operations manual which could act as a working frame of reference for all staff members, existing and new, communicating in writing the overall philosophy of the company and standard procedures for all strands of operating activity within Hoxton Beach: from kitchen hygiene and food preparation procedures; to supplier network contact details and ordering of supplies; to guidelines in interfacing with customers; to dealing with, and security of, monies; and

beyond. Thus a working communication frame of reference as guide with regard to required day-to-day procedures, activities and behaviours. Thereby underpinning and enhancing owner manager communication of norms and values with his staff; and providing each staff member with a guiding standard of expectations in their interactions and behaviours with each other, with suppliers and with customers. One key action research process and output of this project was the design and development of a rolling working document Hoxton Beach operations manual which addressed the above.

*Leadership:* 'Inspiring and guiding groups of people' are key competences which contribute to effective leadership and have been a significant dimension of Patrick's owner manager role. His contention that 'I can step up to the plate when required' is supported firstly by his success in designing and developing the new to market Hoxton Beach product/service proposition and in recruiting and guiding the initial workers in a manner in which they effectively 'bought into the proposition'. And in the subsequent identification and set up of 'try out' and experiment development activities which grew the business in its complementary distribution forms - involving facilitating the 'buying in' of leisure centre managers for acceptance of Hoxton Beach's own leisure centre-based cafe retail outlets; and of street market managers who needed convincing of the viability of Hoxton Beach in market stall form; and of further staff to run these cafe and market stall outlets; and of wholesale customer cafe outlets.

*Change catalyst:* The progressive and incremental development of the Hoxton Beach service provision has involved the nurturing of ongoing internal adjustment and change and a sensitivity to the external environment, not least with regard to customer and competitor response activity to the unfolding build up of Hoxton Beach's creative introduction and

development of a falafel-based fast and healthy food provision. Patrick feels he is 'not bad at this' - internally he has paved the way for incremental change, both in terms of improvements to operational efficiency and the way things are done on a day-to-day basis and in terms of working up initial ideas for strategic adjustment often in an experimental form. This has involved managing and organising availability of resources and nurturing gradual change in workforce mind-set, abilities and behaviour. Where necessary this sees Patrick physically showing staff how work actions can be enhanced and undertaking day-to-day tasks in a manner which effectively sees him as a 'working frame of reference' against which his workers can identify what is expected of them. In new areas of 'try out' such as the development of alternative distribution channel forms, Patrick, through observation and working participation and through uptake of regular feedback from the staff, identifies hurdles and barriers to implementation and effective development of the new outlet and takes action, and often creative thinking, to address any problems or difficulties. For example, success at the White Cross Street market saw customers queuing along the road and in front of a neighbouring market stall - resulting in complaints from the stallholder. Patrick's response was to foster the right kind of service behaviour from his staff and also create signage to direct a more orderly queuing from his customers.

In parallel to nurturing change from an internal development perspective Patrick has also needed to map and be responsive to external change. As he emphasises, 'it is always necessary to keep an eye on the landscape'. For instance, recognition of bigger competitors' capability to 'quantity produce' and fulfil the needs of wholesale market outlets such as to the large supermarkets (including some supermarkets own 'make and sell' provision) has oriented Patrick away from this provision to focus on Hoxton Beach ongoing development

through small batch focus on 'fresh made' through its own retail outlets and wholesale through smaller cafe and cafe chain-type outlets. Similarly, the advent of recession has changed people's spending and eating habits - but in a positive fashion for the likes of Patrick. Recognition of a consumer propensity within the current harder economic times to shift from more formal and more expensive restaurant lunchtime eating toward fast food consumption represented a 'change opportunity' for Hoxton Beach. The parallel trend toward healthier eating provided Patrick with the chance to exploit this 'combination change' effect and nurture growth and development of Hoxton Beach on strong foundations of 'healthy fast food' provision.

In short, ongoing development and growth of Hoxton Beach requires, and will continue to require, owner manager ability to identify and respond to change opportunities - change whose origins are in Patrick's own creative ideas; and change which is imposed on him either by an unknowable external environment or unpredictabilities within the internal make-up of Hoxton Beach. To date key change catalyst competences displayed by Patrick include: (a) the ability to recognise change and to determine what operational or strategic development actions are appropriate to address or exploit that change - this is sometimes done by straight forward design and implementation of procedures or staff activities which simply work first time; on occasions, usually when it is in the form of strategic development change such as new market outlet or new product form, it is done by trial and error or by 'try out' or by experiment where the ultimate change form is incrementally worked at and progressed with barriers and difficulties unfolded and ironed out until an effective profitable format is confirmed; (b) the ability to 'sell' the identified change opportunity to all key stakeholders and gain their support and commitment; (c) the willingness and ability to get

‘ones hands dirty’ and to ‘show by doing’ what is expected of others – provide a ‘working frame of reference’ from which others can better understand required changes in their own working behaviour.

*Conflict management:* Unrest, differences of opinion, disagreements and personality clashes are part and parcel of everyday organisational functioning and development. And conflict management is equally part and parcel of the everyday management role. Patrick perceives himself as ‘not bad at this but rather avoidant and fearful of confrontation - probably just 5 out 10’.

*Building bonds:* The building of bonds involves nurturing instrumental relationships and has been discussed within the separate networking section above.

*Collaboration and cooperation:* Collaboration and cooperation involves, at least in part, working with others toward shared goals. Patrick displays this skill, ‘but only up to a point. I am a bit of a Nazi and “know when I am right”’. He appears to ‘balance a focus on task with attention to relationship’ and certainly ‘promotes a friendly cooperative climate’ but seems to limit ‘the sharing of plans, information and resources’ to what he judges as absolutely necessary. He ‘spots opportunities for collaboration’ but does not always follow up and nurture those identified opportunities - in the main because of day to day operational work pressures and associated time and energy constraints.

*Team capabilities:* Team capabilities in terms of creating group synergy in pursuing collective goals, is an issue that Patrick is ‘currently consciously trying to do, though I am aware I can be lazy about it, so would give myself 6 out of 10’.

#### **(f) Subsumed Marketing Activities**

The fundamental perspective of marketing is embedded within the marketing concept which purports that organisations survive and prosper through meeting the needs and wants of customers. And a marketing oriented organisation is one which adopts the marketing concept (Riley 2012).

The marketing oriented stature of Hoxton Beach can be in no doubt. Indeed, it is the owner manager's painstaking initial and ongoing learning and development activities to progressively determine the nature and form of falafel product and service offerings - both product and distribution channel forms - that would effectively respond to what was a dormant and relatively unrecognised UK customer need for such innovative fast food provision which formed the foundation plank for the organisation's success.

But the owner manager learning and management activities which constitute marketing orientation within Hoxton Beach differ considerably from that traditional body of marketing activity prescription found in the main stream text books. There is no formal market research, no explicit use and management of the marketing mix, no structured rational marketing planning process.

In their place we find a far more individualistic and entrepreneurial set of marketing activities and processes.

Market research can in broad brush terms be couched as the collection and analysis of information about customers and potential customers, consumers and competitors and about key change factors in the external environment which do or may impact on the business and its customers. For Hoxton Beach there was no resort to formal market research such as customer surveys. Instead, information and learning with regard to

markets, customers, consumers, product preferences and competitor activities built out of owner manager direct dialogical learning interfaces with key information-holding individuals and, when the business was up and running, was often subsumed in other day to day activities within the business - such as learning about competitors from day to day interactions with the businesses suppliers or its wholesale customers. As the business developed such 'market research' was subsumed within a wider base of capable and trusted workers and within the day to day activities which they undertook.

### **(g) A 'No Step-Actions' Strategic Management Process**

The above key features of Hoxton Beach strategic learning and development processes and actions - the mentally held planning and development frame; learning by experiment/try out; and dialogical learning - take the place of 'sequential step strategic management processes and activities' of 'discovery' 'choice' and action' (Stacey 1990) prescribed within rational long-term planning modes of strategic management. The rational planning model requires an organisation to firstly undertake a comprehensive external environment analysis -utilising analytical tools such as formal economics and marketing knowledge bases to effect such strategic analysis and reveal strategic development opportunities and threats. For Hoxton Beach such analytical processes are impractical on the one hand due to resource and ability constraints and on the other hand to the fact that the rational model is neither theoretically water tight or practically implementable - as discussed above even assuming that a one-off trawl of the external environment can be conducted so as to harvest all relevant information, that harvested information relates to the recent past and immediate present which is totally inappropriate for informing business decisions and behaviour into an unpredictable future. The rational long-term planning model is thus not to be found within

Hoxton Beach firstly because resource and ability constraints do not allow; and secondly, because such a planning model is not workable in practice.

In its place one still finds adherence to the three elements of strategic control: 'discovery', 'choice' and 'action' - but in a far less tidy and intertwined form. This is considered in more detail in the following sub-section.

#### **(h) Tight Short-Interval Control**

The works of Stacey (1990) and the more recent application of some of Stacey's perspectives by Wyer (1998; 2003; 2010) in a small business development context focus on how organisations in highly uncertain environments are unlikely to be capable of proceeding sequentially and tidily through the three strategic control elements of discovery (of opportunity) then choice (from discovered opportunities options) and action (implementing the chosen option) - and how this discovery, choice and action in practice will involve a more messy, iterative back and forth set of learning and development activities. For example, partial 'discovery' of understanding of a possible external environment-embedded new market opportunity requiring that insight and understanding extending and firming up by 'action' in the form of experiment and try out of that market by the business (and possible further experiment with product development or adjustment to the needs of the new market) - thus firming up initial discovery insight by partial action, prior to being able to decide whether to choose that option as being viable and then ultimately implementing as full-blown action.



Such is the intertwined strategic management process and activities of Hoxton Beach. And, commensurate with the reasoning of Stacey and supported by Wyer, the undertaking of this strategic management approach is because of the almost unknowable and unpredictable open-ended change nature of the external environment in which businesses must strive to operate. For Stacey (1990) successful businesses must create an organisational climate whereby they can learn about and act upon unknowable, unpredictable open-ended change. And to create the space and slack for this to be able to occur, tight interval control is imperative.

Within Hoxton Beach Patrick has, in the initial start-up and early growth stages of the business, created the slack to drive the experiment-, 'try out'- and trial and error-underpinned discovery, choice and action strategic development process. And, due mainly to his own very hard work and immersion in every aspect of the business, has succeeded in continuing to drive the development of the business on this basis. But this development process has been bounded and limited by *the extent* to which Patrick has been able to create sufficient space to fulfil the process in response to unfolding open-ended change situations and partially perceived potential opportunities.

In the main this inability to create space is due to the pressure nature of the Hoxton Beach daily catering provision, the associate size of the business and employee base and the accompanying demands upon Patrick's and other key workers time. But, at point of analysis (throughout the entire 2009-2013 study period), it is also due to Patrick's over involvement in the day to day operation of the business (including undertaking daily deliveries and working in the kitchen) and an associate lack of tight overall short-run activities control. Patrick himself recognised this issue, clarification of and response to which is a significant

part of this project. Inadequate control over staff, staffing, resources, monies and day to day logistics imposes greater pressure on Patrick and reduces ability to create space to focus and follow through on the strategic development of the business.

Tight short interval control creates space for learning about and acting upon open-ended change. Patrick undertakes such learning and development - but at current stage of growth this is made possible, in the main, by his sheer hard work and time allocation to that work. Tighter short interval control would free up more 'strategic learning space' - both in terms of strategic learning and development driven by him and with regard to the fostering of trusted and capable key workers to also embrace opportunities for strategic learning for the business.

#### **(i) Co-existing Emergent and Pre-determined, Planned Strategy Development Activities**

Integral to the strategic development of Hoxton Beach is the juxtaposing of strategy as both emergent and pre-determined phenomenon. The unfolding of, for example, new market niches and new product development through the above intertwined discovery, choice and action strategic management processes and activities clearly progressively 'emerges' new strategy. But, certainly in the case of Hoxton Beach, following initial 'try out' and early stages successful implementation of a newly emerged strategy, validity of owner manager Patrick's personal constructs become 'confirmed' and confidence in the new strategy becoming an ongoing deliverable sets in - and ultimately can be interpreted in future time periods as a planned, predetermined strategic development path upon which the owner manager will continue to focus as key plank of the growth of the business. Meanwhile

further intertwined discovery, choice and action strategic learning takes place and other strategies are 'emerged' - either to dovetail into existing strategies or to replace some of them (possibly to even include replacement of existing long-used 'planned' strategy). In personal construct theory terms all constructs are open to adjustment and future revision. So it is with Hoxton Beach strategic development. New personal constructs of strategic development opportunity are learned and provisionally constructed. Then they are tested and tried out for validity ('is there anything in this for us'). If confirmed as valid and profitably useful they are retained as key business activity to be implemented into the future - until new learning points to opportunity for, or need of, adjustment to that personal construct (that business activity) or its total replacement. Such a 'personal construct theory-strategic management process' analogy reinforces the proposition that, certainly in organisations such as Hoxton Beach where in most respects the owner manager is the business, emergent strategy and pre-determined planned strategy will co-exist: and, in the main, new strategy will have an emergent dimension - and if progressively effective and successful in its driving of business development and growth will ultimately take on a status of planned strategy.

Table 4.3. below summaries the key Hoxton Beach research process/outputs with support data and data sources.

**Fig4.3 Overview Summary of Key Hoxton Beach Research Process/Outputs**

**With Support Data and Data Sources**

Summary of Key Research Process and Outputs	Supporting Data
The study portrays the effective start-up and sustained development of a small service business – providing integral in-depth insight re historical development path to current strategic position of the business; and depth of understanding as to the nature and form of owner manager strategy development and strategic management process and practices	Analysis of historical company and business context documentation; ongoing ‘partnership working’ and learning conversations with owner manager; observation of business operation; key informant interviews: Outputs from which are incorporated into the case study and base evidential file – including written and recorded documentation of key informant interfaces; reflexive journal and ‘rolling analysis’ documented to capture incremental development of the business
Understanding of the changing nature of Hoxton Beach’s external operating environment - unknowable and unpredictable in terms of timing and consequences. ‘Unplannable’ in the medium and long term	Demonstration of the onset of the ‘out of the blue’ financial crisis, associate recession, resultant changing consumer buying behaviour and competitor reaction – all embedded within the case study with insight built up from economic, market and consumer data provided by formal economic and market reports (government and private sector market research sources)
Understanding of the ways in which the Hoxton Beach owner manager creatively identified and acted upon the unfolding hostile unpredictable external environment	The use through prolonged time period of ‘partnership working’ and learning conversations with owner manager and key Hoxton Beach staff and company documentation to identify owner manager utilisation of a mentally-held planning frame to focus and ring-fence ongoing learning from external key informants using various forms of ‘informal networking’ and dialogical learning to surface, clarify, enhance or replace existing personal constructs of understanding, or build new constructs – including assessment of past, and observation of current, owner manager experiment and ‘try out’ activity as an integral part of his strategic learning and development of the company
Fine detail understanding of the key role of owner manager creativity and innovation within the Hoxton Beach start-up and ongoing business development process – and the nature and form of such owner manager creativity	The use of PCT facilitated, through learning conversations with the owner manager, observation and rolling analysis of the development of the business, the build up of understanding of how owner manager creativity involved his loosening of existing personal constructs, yoking of apparently unrelated and often hazy, ideas and the moving this forward into tightened personal constructs of more substance in the form of potential business development ideas that were tested by experimental or ‘try out’ implementation activities. The process in its entirety representing innovation (front end creativity as an integral part of a total innovation process)
‘Constituent parts’ understanding of the Hoxton Beach strategic learning and management process – in its untidy, intertwined discovery, choice and action form	Learning conversations interface with and detailed explanations from the owner manager, together with ‘partnership working’ and ‘co-author’ academic journal article writing with him has facilitated build up of fine detail understanding of his strategic management process and integral practices and activities (build up of understanding

	of the nature, form and role of dialogical learning, emotional competence, non-utility of long term planning, experiment and trial and error in the strategic management process)
Fine detail understanding of the role and contribution of emotional intelligence and emotional competences in facilitating and driving owner manager strategic learning and management capability and form	Written and audio documented interactions with the owner manager, observation analysis of his interactions and behaviours with others within and on the boundaries of the business and researcher 'readings' of owner manager interfaces with others have been combined with request for owner manager self analysis of his emotional competences strengths and weaknesses to build up understanding of Hoxton Beach owner manager emotional competences and how he utilised these within his strategic and operational management of the business
Understanding of the high level marketing orientation of Hoxton Beach - but that owner manager learning and management activities which constitute marketing orientation within differ considerably from that traditional body of marketing activity prescription found in the main stream text books.	Learning conversations and partnership working with the owner manager demonstrated that there is no formal market research, no explicit use and management of the marketing mix, no structured rational marketing planning process. Instead, marketing was often subsumed in other day to day activities within the business: such as marketing information gleaned from owner manager dialogical interfaces with customers and other key informants; and from day to day interactions with the businesses suppliers or its wholesale customers. Observation and partnership working revealed how as the business developed such 'market research' was subsumed within a wider base of capable and trusted workers (not least those members of the owner manager's family who worked for him) and within the day to day activities which they undertook.
Understanding of the key role of short interval control in facilitating owner manager 'big picture' strategic thinking and learning – how a combination of Hoxton Beach tight control and efficient day to day running of operation <u>up to a point</u> facilitate owner manager learning about the wider strategic development context of the business	Learning conversations with the owner manager revealed that in the initial start-up and early growth stages of the business, he created the slack to drive the experiment-, 'try out'- and trial and error-underpinned discovery, choice and action strategic development process. But partnership working with him highlights that he has succeeded in continuing to drive the development of the business on this basis in the main because of his own very hard work and immersion in every aspect of the business. Observation and partnership working also shows that this development process has been bounded and limited by <i>the extent</i> to which Patrick has been able to create sufficient space to fulfil the process in response to unfolding open-ended change situations and partially perceived potential opportunities. Pace of growth of the business, owner manager over-involvement in day to day operations and an associate lack of tight short-run activities control are squeezing out owner manager ability to free up more 'strategic learning space' and focus on strategic development. This situation which the owner manager is currently addressing is recognised by him within the learning conversations, documented within the strategic analysis documentation and captured within the case study

Practical operational and strategic outputs to facilitate enhanced day to day effectiveness and ongoing development Hoxton Beach	A strategic planning and development frame and summary franchise development plan incorporated within the appendix of this study; and an operations manual held by the owner manager – all being utilised in practice by the owner manager
Academic outputs – being applied immediately to inform small business development practice (including Hoxton Beach and the other participant firm, Family Law Practice) and academic teachings by the researcher	Written up full context case study of Hoxton Beach; and enhanced small business strategic management knowledge base – including as ‘low level theory’ in the form of ‘guiding lenses frames of reference’ which owner managers (and students of small business management) are already ‘trying on for size’ in terms of potential for enhancing their existing personal constructs and/or facilitating their strategic learning capability. Joint journal article authorship between academic researcher and Hoxton Beach owner provides supporting evidence of the bridging of the worlds of academia and small business management practice effected by this study

#### 4.4 Chapter Conclusion

This chapter has presented the action research produced outputs relating to the strategic development of Hoxton Beach.

The personal construct theory-driven research process facilitated the unfolding of in-depth understanding of the effective start-up and sustained, swift strategic development of a small production-service business. The multi-level contextual analysis approach captured depth of insight in terms of historical development path through to current strategic position of the business. The changing nature of the enabling and often hostile constraining environment of the business was highlighted and the ways in which the owner manager creatively identified and acted upon the vagaries of the environment was elaborated. The strategic development analysis was here presented as a ‘contextual whole’ small business development knowledge-base.

The analytical approach in unfolding this insight provided practical outputs for the working partner small business in terms of a documented strategic development analysis with integral identification of areas of potential operational improvement and opportunities for strategic development. These areas of operational and strategic improvement were then incorporated into a 'Strategic Development Frame' capable of guiding and informing the owner manager in their operationalisation.

Implementation of most of the identified areas for operational improvement and strategic development was worked forward by the Hoxton Beach owner manager – other areas however utilised the researcher in the implementation process: including design and development of the operations manual and the design stage of potential franchise models.

Integral to the action research process and the practical outputs that it produced was the build-up of understanding of the Hoxton Beach owner manager strategy development and strategic management processes which has led to 'new conceptualisation' -'low level theory' study outputs with regard to what constitutes 'best and good small strategic management practice' and how this challenges traditional or orthodox theorising of small business strategy development. This forms the focus of further assessment and analysis in chapter 6 when the insight for this Hoxton Beach component of the overall study is synthesised with strategy development understanding revealed in the action research of the second participant small firm undertaken in the next chapter (chapter 5).

## Chapter 5: The Family Law Practice – Findings and Analysis

### 1. Introduction

This chapter continues the empirical component of the study. An action research focus is upon the strategic development of The Family Law Practice (FLP), a small 'sustainable growth'-seeking London-based law firm. The front-end project which forms the foundation of the study focus was externally funded covering approximately the first year of the longitudinal study period which in its totality spanned 2009 to 2014. And, as with the Hoxton Beach study, involves partnership working with the owner manager in undertaking strategic development analysis of FLP in its external environment, researcher utilisation of this analysis to produce a creative strategic development and planning framework to inform and guide future development of the business and provision of implementation support to the owner manager in the majority of the identified areas of potential business development. Indeed, partnership working between the researcher and owner manager incorporated a significantly longer and more substantial implementation period and undertaking of implementation stage activities within the action research process in its totality than in the Hoxton Beach study.

As in the previous Hoxton Beach study, the chapter is presented in two mainstream parts, with a chapter appendix fuller detail provision of the 'strategic development frame' components of the research outputs (thus, three parts in total). *Part one* presents the 'strategic development analysis' component of the FLP action research in a descriptive analysis full context-providing form. Areas of potential strategic development which that strategic development analysis unfolded are presented - including development of an on-line mediation service and the parameters of an on-line web-based infrastructure convivial



to the effective delivery of that provision. The 'development and planning frames' that have been designed to guide the owner manager in design, development and implementation of those revealed development options are summarised. *Part two* of the chapter presents assessment and analysis of the nature and form of FLP strategy development and strategic management processes revealed within the undertaking of the strategic development analysis of the business, and in particular from the close partnership working with the owner manager in the build of that strategic development picture of the company. Once again, both the strategic development analysis and the parallel build up of understanding of the strategy development and strategic management processes undertaken and applied to date by the owner manager where utilised to produce the end of project aimed for outputs - i.e.: the design and development of planning and development frames to guide the owner manager in achieving sustainable future growth of FLP. Understanding of FLP successful development to date and integral shortfalls and difficulties (including through historical development of the business to present day and current strategic position) and of the strengths and weakness of the owner manager strategic management approach that had delivered that development to date formed, as in the Hoxton Beach action research, the full context of understanding within which to design and develop the ultimate aimed for planning and development frame practical outputs for FLP. The chapter concludes with a *part three* chapter appendix more detailed presentation of those summary planning and development frame outputs with regard to both project one and two.

### **5.1.2 Overview**

The Family Law Practice is a small legal practice based in East London which was set up in 1999. The firm specialises in family legal matters, including divorce and separation, financial

issues, arrangements for children, domestic violence, cohabitation and social services intervention. Contact was made with the business initially via an ERDF/ London Development Agency Knowledge Connect Scheme with Middlesex University following a successful funding bid by a consultancy team led by Stephen Donohoe and Professor Peter Wyer.

The practice had grown each year from its initial inception to a turnover in 2005 of £250,000 from where it had remained relatively static at £250-260,000 up to 2009. The trading position shows a net profit of approximately £60,000 on the £250,000 turnover. From 2009, the turnover increased incrementally and up to 2013 had risen by 30% .The firm employs 6 full time staff including 3 solicitors, an office manager and administrators. In 2013, one solicitor had left along with one a part time administrator. Fig 5.1. below highlights the Family Law practice time frame development.

**Figure 5.1 Family Law Practice Time Frame Development**

<b>Year</b>	<b>1999</b>	<b>2005</b>	<b>2009</b>	<b>2013</b>
<b>Turnover</b>	Start-up	£250,000	£250-260,000	£325,000
<b>Market Focus</b>	Family Legal Issues	Family Legal Issues (Legal Aid work = 75% of Income)	Family Legal Issues – Shifting Away from over-reliance on Legal Aid	Family Legal Issues – Holistic Services Provision (encompassing mediation with web-based portal framework)
<b>Employees</b>	6 Full-time Staff – Including 3 Solicitors; Office Manager; Administrators	6 Full-time Staff	6 Full-time Staff	5 Full-time Staff (1 Solicitor and Part-time Administrator had left)

The company's future objectives were to develop a new and sustainable business model to move them away from legal aid reliance which accounts for approximately 75% of income generated to a more fee-earning business. The focus for Family Law Practice (FLP) in 2009 was to develop a holistic service provision encompassing a mediation service with a web based portal framework for advice which anchors in creative strands of growth and development in a highly competitive recessionary environment.

Key issues that the Family Law Practice had to manage and focus upon within the external environment include legal aid cuts in relation to the impact of the credit crunch of 2008, and the subsequent recessionary environment that followed.

## **5.2 Identified Linkage between the Economic Downturn and FLP Market Niche Opportunity**

### **(a) Divorce, separation and a plummeting economy**

The banking crisis and credit crunch of September 2008 proved to be a truly critical incident in the development of many businesses, not least the Family Law Practice. Evidence of a likely link between economy downturn and family turmoil began to unfold in the relatively early days of the recession and was utilised as a base informing vehicle for Andrew Beale the owner manager and this 'outsider researcher-consultant' in considering the impact of the progressively worsening recessionary climate.

Whilst key early-days insight was building out of research within Ireland it was reasonable to extrapolate such findings and 'learning messages' into the England economic context. The following paraphrases and where appropriate re-couches particularly relevant dimensions of such insight as captured by divorce-online (2009) - effectively 'trying on for size' this

insight in terms of facilitating enhancement of the foundation personal constructs of the owner manager and researcher with regard to linkage between severe economic decline and the enabling constraining family law business sub-sector:

- By mid-2008 in the face of a plummeting economy lawyers in Ireland were reporting a 'massive up-surge' in the number of couples seeking advice on separation and divorce. Whilst not backed by scientific research and analysis, there is a high likelihood that this development which unfolded over a sixth month's period is linked to the current economic crisis
- Anticipation amongst some family solicitors is that even greater numbers of wealthy couples will break up in the face of economic downturn, whilst, conversely, less well-off couples wanting to separate or divorce were already finding they were unable to because of the extra expense involved in running separate lives
- Whilst underlying causal factors regarding break-down are specific to a particular couple, the current economic situation is being found to impinge in a variety of ways on those seeking to part
- Significant social repercussions of the economic slump are expected into the medium and long term: issues relating to society are linked to a healthy economy - in general terms money acts as glue to keep many couples together and when cash becomes less readily available many marriages are placed under strain (London Law Firm Mishcon de Raya: 'When money looks like flying out of the window, love walks out of the door')
- Economic downturn is leading couples to rethink their priorities

- By June 2009, British divorce lawyers were reporting how they were being 'besieged' by wives wanting to secure good financial settlements before their husbands were made redundant
- And, conversely, many of the thousands of men who have already lost their jobs are seeking quick divorces to ensure alimony payments are based on their unemployed status before they find new jobs
- A high number of high net-worth individuals are finding their marriages in trouble
- Bonuses are not being paid out and house prices are falling. Women are concerned about securing their futures and securing their lifestyles that they have developed over the boom times
- For some couples the economic downturn is preventing them from separating. The climate of job loss and the house being worth less raises the question of whether it is the right time to separate-even if a couple wants to
- Some solicitors emphasise that the impact of the meltdown of the economy in family disputes means divorce and separation proceedings will be more bitterly fought and more difficult to settle - primarily due to the fact that there is less money in the family pot. This is likely to be particularly so for couples with young children who require substantial and regular income. And it will also mean a reduced standard of living for separated couples
- The downturn is exerting a great deal of pressure on couples in the throes of separating to prove the correct value of their assets - whether it be their home or their company, which could have moved into minus value

- For many, it is proving impossible to sell the family home - and if a sale is necessary the home often has to be sold under value. Clearly, if possible, it is better that the home is not sold at all
- Because of the good times, people's expectations have become great. Some women have never really had to budget - and when such free-spend times evaporate pressure builds on the marriage and in terms of expectations regarding settlement at break-up
- Moreover, some children have very high expectations regarding monthly allowance, provision of car and so forth - which again both impacts the family grouping in economic downturn and the settlement process if the marriage breaks up

#### **(b) Implications for the Family Law Practice business development**

Such 'economy downturn-increased family turmoil' linkage and the integral strands of family pressures and difficulties highlight a progressively unfolding need for family mediation services. FLP, after a relatively 'accepting, static' orientation toward the external environment, has increasingly taken a proactive stance towards the macro context to attempt to unfold understanding with regard to possible strands of business development and within this challenging recessionary environment the owner manager had identified the potential for additional optional products linked to cost effective mediation services to meet the challenging economic conditions. This proactive approach oriented toward the banking crisis-credit crunch dimensions of the economic turmoil by fostering product innovation towards future anticipated market needs. Specifically within the legal industry structure and market context an anticipated government support response leading to the decline of publically funded legal aid cases would have a major impact on the FLP's existing income

streams with approximately 75% of the firm's income being generated in this way. Owner manager, Andrew, was seeking to develop a new and sustainable business model to move it away from legal aid reliance, to a more significant fee earning business. He envisaged that development of a holistic sustainable growth model embracing new web-based technology and e-services would underpin exploitation of growth opportunities.

Furthermore, Andrew also realised that the business development process of moving small legal practices away from legal aid work, usually into more profitable 'private client' work particularly in the Family area and Probate, often proves very slow to foster. Shifting such practices into personal injury or conveyancing requires significant organisational changes and in the economic climate at that time was deemed not appropriate. Thus, a key enabling force to combat this was the development anew web based e-services framework, procedures and processes - including an innovative online mediation model anticipating a future opportunistic gap in the external environment, specifically within the context of a declining publically funded legal aid sector and embracing the internet as a key facilitator towards gaining a competitive edge as a modern law firm.

Andrew's aspirations within the recessionary economic climate were also underpinned by a 'lifestyle choice' dimension whereby having an e-based law firm could move him, to some extent at least, away from the traditional approach of being in his office everyday seeing clients and undertaking appearances in court. The additional more formal, if not scientifically researched, insight (as captured in the previous sub-section above) surrounding the particular ways in which the economic recession was impacting on families and individuals and the associate changes in client and potential client behaviour which it was evoking was beginning to galvanise Andrews perceptions and reinforce his unfolding views

as to the potential benefits of shifting FLP forward in such an e-based and mediation service oriented manner.

### **5.3 The Micro Detail of The Family Law Practice**

#### **(a) The core of the business**

Key enabling context within the Family Law Practice centre on Andrew's knowledge and experience, having specialised in family law in a large practice environment since 1993, and being a trained mediator and a member of the Solicitor's Advanced Law Association. Furthermore, his firm FLP achieved a Legal Services Commission Quality Mark and was later awarded a franchise in 1999- and has been providing specialist advice in relation to all areas of family law ever since. Moreover, in the current market context of 2009 onwards, evolution and opportunity is underpinned by Legal Services Commission approval and sustainable markets can be further developed and protected by a good 'approved' brand name with an e-based quality service range. In short, a key strategic strength is the firm's brand name: 'The Family Law Practice' which is already associated with quality legal services provision both within the industry sector and within the locality - and thus lends itself to an internet based presence for developing an e-business.

Other key resource strengths relate to the firm's experienced and qualified staff. FLP employ 2 other solicitors, a trainee solicitor, a Practice Manager, 2 full-time and 1 part-time support staff with expertise already in place to deal with e-business.

Many of FLP clients live within the local vicinity of London E1 and E14 postal districts and the firm had grown in size, both in terms of its client base and its staffing numbers and moved to bigger premises in 2006. However, an unfolding critical incident emerged from 2005-2008



where the turnover and net profit of the firm had not continued to rise at the rate seen over the first 5 years of its existence which had become a concern for Andrew. Furthermore, with the onset of the banking crisis and credit crunch of September 2008, Andrew realised he needed to respond to the impact of these critical issues and sought external expertise (in the form of this researcher-consultant) to help assess the current position of the firm and effectiveness of current modes of operation, identify potential growth and development paths to drive the business forward and to develop a business planning tool to help facilitate the growth and effective management of the business along a sustainable growth path.

A key enabling factor in achieving the above was that FLP had sound financial foundations from which to pursue business growth strategies. One dimension of this development potential was consideration, in 2009, of a second new office location. Andrew was looking at renting an additional office south of the river from FLP's present location as many client enquiries were being received from that area.

In Andrew's view, the river was a psychological barrier for potential clients so an additional south located office was an opportunity to generate a lot more enquiries and business. Furthermore, solicitors must operate within a geographic region - like a franchised geographic area (hence benefit of a south of river office). Thus an uptake of a new office must tie in with the approaching Legal Aid contract bid round in 2010.

However, the emerging legal aid cuts that were being proposed were more severe than anticipated at the time, and it was decided there was no real cost-benefit to opening another office south of the river. In effect, these cuts have caused a lot of debate and criticism within the legal profession and specifically within the family law and criminal

justice sectors. Professional bodies representing solicitors and barristers have subsequently had unprecedented days of strike action in protest (Lawyers, 2013). Also, bodies representing domestic violence have said that these cuts will result in more women and children being at risk because they are unable to afford legal representation. Furthermore, due to recent cuts in legal aid funding, especially for family law, there has been an increased demand on the Citizens Advice Bureau (CAB) for people requiring help (Lawyers.com 2013). Andrew did make a relatively early partial response by offering free consultation via video conferencing or in-house appointment- with fixed fee packages.

### **5.3.1 Owner Manager Aspirations**

Andrew in 2009 had the following aims and goals for Family Law Practice focus over an initial 12 month timeline. He was looking to:

- Diversify the services offered by the firm to include a mediation service
- Increase private client numbers
- Reduce the firm's reliance on legally funded work (Legal Aid)
- Attract clients who will choose a solicitor on-line and so develop e-business
- Raise the firm's profile locally
- Maintain high standards of service and work
- Grow the business
- Retain staff
- Increase turnover and profitability

His initial perceptions as to the 'how' of pursuing the above aspirations were captured in ongoing face to face interfaces. As he was the main fee-generating lawyer he would have to reduce his caseload to focus more on developing opportunities and so he would have to

make the other two fee earners in the firm responsible for the 'traditional' legal work. This would enable him to then spend time on developing an e-business model through a web presence.

However, a potential constraining factor towards this was that Andrew's contribution to fee income, which had been the biggest over the years, would reduce and this may have a negative effect on overall profitability of the firm-this was a potential big risk but FLP had recently taken on an extra fee earner and Andrew would continue to undertake privately funded work, though not the less profitable legally funded work.

Further potential constraining factors to take on board related to there possibly not being an immediate demand for mediation - but Andrew was anticipating that mediation was likely to replace a lot of contested work and was being pushed at parties by the Legal Services Commission and the Courts and would be the most highly remunerated publically funded work. This did materialise in 2013, with the courts expecting a 'first stage' mediation appointment to take place prior to any court proceedings. Furthermore, the implication for not going to mediation first is the possibility that costs may be awarded against the party who declined the mediation route (legislation FR28 2013).

Moreover, the investment in a new website may not be a main source of work - but Andrew knows that people who use the internet look for services and advice and FLP has a name/brand that lends itself to the internet.

## **5.4 Strategic Assessment of Building a Mediation Niche as a Stream of Business Development**

### **(a) Potential Enabling Context:**

Owner manager aspirations and aims and 'outsider researchers/consultants' perspectives were carefully and thoroughly considered and underpinned by a focus on the key enabling and constraining factors potentially impacting upon the development of a mediation service in October to November 2009.

From the above interchange of perspectives and standpoints it was viewed that potential existed to focus on provision of a differentiated 'product' (service) which maximises the strengths that are integral to mediation as a support provision to families and family members when facing crisis or difficult times. This included:

- Provision of impartial help in the form of high quality mediator expertise and experience to individuals and couples facing life changing family-related difficulties
- Provision of a neutral, safe and comforting environment within which to make explicit and consider the nature and form of underlying problems and the various dimensions of those problems (problems relating to separation or divorce, integral difficulties involving the children, underlying finance issues and how such problems can be approached and managed)
- The nurturing of a climate of openness that is free from pressure and within which each party has a fair and equal opportunity to freely voice concerns over the key issues that are troubling them and make explicit their feelings

- Facilitation of cooperation and dialogue and contribution to the build-up of trust
- Thus, a tailored offering as alternative to use of formal solicitors' negotiations and court process which addresses the support needs of the young and the old, those who are married and single and with or without children by enabling them to cope and deal with emotional and financial family issues and identify and understand practical options and solutions to underpin a stable future
- Resultant mediation documentation providing, where appropriate, foundations for drawing up of subsequent legal agreement

Opportunity thus existed for The Family Law Practice to reinforce its position within the marketplace through emphasis on a more 'philanthropic' contribution to the community - whilst building an additional income stream to supplement existing family law support provision. This was a key dimension for Andrew Beale, underpinning his own important values and beliefs as a lawyer at a social level. Moreover, such a differentiated service provision can form a key dimension of the company's interface within its marketplace community, including web-based interface and communication.

Regarding the financial analysis of developing a mediation service the income stream derives from: (a) individual mediation 'customers' who qualify for public funding toward the cost of mediation (those whose gross income does not exceed £2,350 per month and disposable income not exceeding £649 per month; and whose capital does not exceed £8,000); (b) individuals who automatically qualify due to them receiving Income Support or

Income-based Job Seekers Allowance; (c) full fee-paying individuals who do not qualify for public funding support.

With regard to income stream, for those who do not qualify for public funding typical pricing structure sees £180 + VAT per couple per one and a half hours session; or £90 + VAT per person. Thus, based on the assumptions below the following potential 'optimistic' projected income streams are realisable:

- Each session lasts for one and a half hours
- Couples normally need between three and six 90 minutes sessions - assume six sessions
- Assume build up to two new couples per week within 44 weeks each year - 88 couples
- $88 \text{ couples} \times 6 \text{ sessions} @ £180 \text{ per session}; 88 \text{ couples} \times £1080 = £95,040$
- Additional charges for administration - including drawing up documentation at the conclusion of the mediation. Charged at the same rate per hour. Assume 3 hours per couple.  $£360 \times 88 \text{ couples} = £31,680$
- Total income stream per annum =  $£95,040 + £31,680 = £126,720$

Thus, an opportunity existed to consider Family Mediation provision as a direct strand of additional market niche within The Family Law Practice as discussed above - and/or in a form whereby The Family Law Practice facilitates such a Family Mediation service within a '*network provision*' within the region through linkages with other providers. This would in part be underpinned by the availability of non-lawyer mediators - there are individuals interested in providing mediation that have undergone training but not been able to get mediation work. Mediation roles may suit part-timers and those needing flexibility in life

style ((there is a need for an evenings and Saturday mornings service). Moreover, the issue of the key role of quality mediation training also raised the possibility of mediation Law Practices deriving income stream through the offering of initial training to non-lawyers wishing to pursue a mediation career - including the offering of practical coaching and mentoring type training whereby the 'trainee' shadows the experienced mentor in the actual mediation practical context with clients

**(b) Constraining Context:**

Key potential constraint to concerted build-up of a Family Mediation service provision within The Family Law Practice relates to difficulties in attracting individuals and couples toward the concept of Family Mediation. One major strand of public resistance to mediation relates to their suspicion of the process which involves putting an individual in the same room as the person they cannot stand the sight of.

Drawing from the Legal Aid Practitioners Group (March 2001) response to Draft for Consultation 'Proposed Changes to the Funding Code Procedures and the Decision Making Guidance on Family Mediation' (in which they use Professor Gwynn Davis research), the following contextual issues were found to be key and relevant in 2009, as an informing vehicle towards the development of the FLP mediation niche (Note: Verbatim transcript from the report and paraphrase is used below where appropriate):

'Mediation may prove to be a cost-effective option in resolving some disputes, at a particular point. It can only achieve this where both parties commit themselves to the process. In other circumstances mediation is likely to prove an additional cost. This will apply where there is failure by one or both parties, or where no agreement is reached. The number of these failures needs to be minimised if mediation is to be reasonably cost-

effective'. Thus, both parties to a dispute must be willing to attempt mediation if it is to be worthwhile. The concept of engaging at a deeper level to address the emotional and financial costs to parties who go down the traditional court settlement route was considered by owner manager and researcher-consultant as a significant factor to communicate.

'One important observation, reflected also in other academic research, is that the work of family lawyers has tended to be misdescribed in official circles. Separating couples rely on lawyers because they feel they lack the resources, the knowledge or the authority to achieve what they believe to be a fair outcome. It is not by and large that they reject the option of a reasoned negotiation with a fair-minded person - it is, rather, that they do not believe those conditions exist. Some people pursue their objectives through lying, evasion or threat. Lawyers, and the authority of the court, provide a means of countering such strategies. Mediation may not be able to respond effectively to conflict on this level - or at least, that may be the perception of the parties. To conceive all this as 'litigation' is to miss the point. It is about support, advice and protection against all manner of unreasonableness'

Therefore, until this frequently justified initial fear is overcome, mediation is doomed to failure or to be very ineffective; and this fear cannot be overcome by requiring mediation at an early stage. Such a mandatory attempt at mediation, far from encouraging individuals to proceed via this route, will be almost certain to fail at this time and may so prejudice the applicant against the concept of mediation that the chances of successfully using mediation at a later stage in the proceedings are reduced. No real change has occurred over the following years up to 2009 towards encouraging parties to use mediation as a serious option, it was still a matter of judgement in each case whether mediation was appropriate



and whether it had prospects of success. There is nothing inherently and self-evidently unreasonable in a refusal to attend mediation at a particular point in time.

However, it was viewed within this research that compulsion to attend mediation at an early stage may in many cases be inappropriate for other reasons: at such a difficult time people are often in a complete fog with regard to choosing different processes put to them. Removing this compulsion on people to attend when they are not ready to do so is essential to ensure that mediation becomes more cost effective. Sadly as at 2009, no attempt appeared to have been made to address this very important issue - so proposed amendments to the Funding Code Procedures and Decision Making Guidance actually ran counter to the research evidence. However, the critical incident of the banking crisis/credit crunch put a greater focus on the mediation process in 2009, due to the proposed Government cuts to the legal aid system. In fact in April 2013, following the cuts to the legal aid budget and new code of practice and guidelines coming in to force, availability of legal aid was very much restricted to only being granted under specific circumstances, namely where there was recent incidents of domestic violence involving the police and/or children had being taken into local authority care. Thus, to try and support the mediation route the code of practice instructed parties to have an initial mediation appointment prior to any court proceedings being commenced. Significantly when this came into force, mediation enquiries actually dropped over the first few months by over 40% for the Family Law Practice and for law firms generally (Lawyers.com 2013). This was put down to the fact that because people were aware that legal aid was not available as before then less enquiries materialised and solicitors generally had not been promoting the mediation route option.

A key constraint to concerted development of a Family Mediation provision within the Family Law Practice thus orients around the perceptions of possible participants (potential customers) as to the potential of mediation to provide appropriate conditions (including providing reasoned negotiations with a fair-minded person which can address the biases and actions and strategies of their co-participant wife/husband or partner) vis-à-vis the authority of lawyers and the courts. Moreover, where mediation is commenced with two apparently willing parties, situations can and will arise where the mediation sessions begin and then proceed to break down - often very quickly. This will result in only partially completed overall sessions and thus in partial income stream, and possibly even non-payment by parties who in anger or frustration perceive the mediation process as producing no useful outcome to their problems. Whilst this can be countered by adopting a policy of payment at each session, in some situations costs of set-up and overall process may not be covered. Also, a key consideration was what is the opportunity cost of a senior partner within The Family Law Practice allocating his resource, expertise and time to Family Mediation support provision vis-à-vis mainstream Law Practice activity? Integral to this calculation, however, was the additional 'philanthropic' benefits the senior partner perceives with regard to Family Mediation service provision.

In 2009, many solicitors were not 'pushing' or rigorously pursuing mediation as a business development option as they saw it as a threat to mainstream income - this on the one hand was viewed as constraining force in terms of it contributing to a lack of build-up of positive culture with regard to the potential of mediation in helping families in turmoil. On the other hand, in that many law practices are not working through the potential of mediation as a business development stream - and the innovative ways that the concept of mediation can

be effectively communicated and offered to the public (especially given the new strands of opportunity embedded within the unfolding economic downturn of 2009) - this context was viewed as a potential enabler for effective exploitation by progressive law practices.

A Key constraint relates to the pre-requisite that each law practice offering mediation must have Legal Aid contract (from the Legal Services Commission) - for example, without a contract FLP cannot expand mediation. And major uncertainty will continue to surround legal aid and support in that it is considered as likely that the concept of Legal Aid only has around 10 years remaining lifespan.

**(c) Competitors and Mediation - An Indicative Niche Mediation Model: the case of Mediation East (ME)**

- Mediation East is a service provided by Solicitors Bridge McFarland and is available in their offices in Lincoln, Louth and Mablethorpe
- All mediators undertaking such work within Bridge McFarland are professionally qualified, and in addition to vocational accreditation, mediate according to the codes of practice in the Law Society
- Mediation East is run by a solicitor specialising in family law as well as being an accredited mediator
- The Mediation East (2009) marketing approach portrays that:
  - Family Mediation helps families who have problems to resolve. ME trained professionals use their experience and expertise to assist an individual in

reducing tension, anger and misunderstandings and improve communications to find a practical solution

- Family Mediation can be an alternative to negotiating directly through solicitors and has been successful in encouraging cooperation and dialogue, benefiting every member of the family
  - Family Mediation can help divorcing or separating couples plan for the future and move on. Working and communicating together as parents can often mean that individuals can make their own arrangements for their family, home possessions and finance
  - Family Mediation enables an individual to make his or her own decisions and can help reduce costs or remove the need for court proceedings
  - Meeting at a neutral venue allows for a safe environment more conducive to the discussion of important issues
  - Family Mediation does not seek to bring about a reconciliation between divorcing or separating couples but aims to facilitate the participants to deal with the practical, emotional and financial problems arising with the minimum rancour or bad feeling
  - While the end result of the mediation process is documented, it is not in itself legally binding. However, a legal agreement can be drawn up by solicitors using the mediation documentation
- The Mediation East approach to pricing includes:
- *Cost*: Some people may obtain help with the cost of mediation through public funding

- For those who do not qualify for public funding the cost is £180 + VAT per couple per session; or £90 + VAT per person
- Each session lasts for one and a half hours and payment is made at each session.
- There will be additional charges for administration - particularly for drawing up documentation at the conclusion of the mediation. Those charges are at the same rate per hour
- Couples normally need between three and six 90 minutes sessions
- *Eligibility for Public Funding 2009*: In the case of Family Mediation an individual will automatically qualify on income grounds if he or she receives Income Support or Income-based Job Seekers Allowance
- However, if an individual receives other income then gross income must not exceed £2,350 per month (this figure increases if one has more than 4 children)

Note: *Eligibility for Public Funding 2013*- post legal aid cuts: In the case of Family Mediation an individual will qualify on income grounds if he or she receives Income Support or Income-based Job Seekers Allowance and also there have been recent incidents of domestic violence involving the police and/or children are under the care of the local authority.

## **5.5 Achieving Family Law Practice Business Growth through Strategic Development of Mediation Service Provision 2009-2013**

### **Build-up of Family Law Practice Mediation Service Provision**

Overall owner manager, researcher-consultant analysis identified that potential existed in 2009-2010 for FLP to build up its mediation service offering in one of two modes:(a) through

build-up of its current mediation service by concentrating on expansion of customer base with FLP as sole law practice provider; and/or (b) through development of an innovative business model whereby the Family Law Practice forms the hub of a membership network wheel incorporating 'facilitation spokes' from the hub to a number of collaborator member mediation law firms. FLP facilitates a mediation relationship between clients and participant mediation law practices (see later presentation of 'hub network' diagram).

The function and operation parameters of such 'sole practice provider' and innovative 'hub network' business models were designed and developed by the researcher-consultant and are elaborated below:

### **Mode 1 – Sole Practice Mediation Service Provision**

#### **Key parameters and characteristics of expansion of mediation service provision:**

##### *Operating parameters:*

- Andrew to predominantly deliver – he to drive the mediation work and hand over some of his work to 2 of his other lawyers
- Such focus would involve 6 months of Andrew 'all out' time allocation
- Mediation services to be provided out of both office sites (if second office option followed through) to seize market opportunities underpinned by customer geography and psychology issues
- Use of additional non-lawyer trained mediators as provision grows – for example, as follows:
- *Pace of Development:* Build up to bringing 2 new client-couples a week customer base (As an approximation: when fully up and running with full client stock on board

say, in a rolling 6 weeks period will be a rolling 12 couples on board with an ongoing cycling through – always 2 new client couples coming on each week and 2 dropping out; each couple receives a 90 minutes session per week) – and grow incrementally

- From week 1 to week 6 would be 42 client sessions (of 90 minutes per session); then each subsequent 6 weeks blocks would have a total of 72 client sessions. Total sessions in a 42 week year would be 474 x 90 minute sessions (equal to 11.28 x 90 minute sessions per week)
- Say with 12 client couples per week – face-to-face mediation time involved will be 12 x 90 minutes = 12 x 1.5 hours = 18 hours contact time mediation (2.4 couple meetings per day: 2 days with 3 mediation meetings and 3 days with 2 mediation meetings)
- This effectively is based upon 474 couple client sessions – with each couple client receiving 6 x one 90 minute sessions: Thus it assumes 474 divided by 6 sessions = 79 couple clients per year (based on a 42 week year of mediation)
- Revenue thus = 474 x £180 = £85,320 plus 3 hours per couple administration charge (3 hours x £120 = £360) 79 couples x £360 = £28,440. Total revenue = 85,320 + 28,440 = £113,760
- *Building 'slack' into the system:* any growth which exceeds Andrews desired input hours would be accommodated by use of external identified non-lawyer trained mediators
- *Note:* all above costing/pricing are subsequent to adjustment to FLP rates/what the local market will take

*Creative 'Emotional' Marketing of the Provision and Integral Client Reassuring Processes:*

- In 2009-2013 the following key constraining forces impact on expansion of mediation as an alternative to traditional courts route:
  - Many potential clients do not believe that conditions exist whereby reasoned negotiations with a fair-minded person can take place and provide them with a fair outcome (in the face of potentially unfair and unreasonable strategies that their partner may adopt)
  - Many potential clients may believe or perceive that mediation may not be able to respond to conflict at this level
  - Thus a marketing approach and potential client interface will aim to overcome the justified fears of potential clients, address possible adverse perceptions and emphasise FLP mediation service offering in terms of provision of support, advice and protection against all manner of unreasonableness
- Of each say 5 initial mediation clients only 1 might progress – the early stage interface with potential clients and the above ‘educating’ and ‘adverse perception’ process will also enhance FLP ability to exercise judgment in each case as to the chances of success of mediation with potential clients
- The client interface and marketing processes are embedded with client reassurance sub-processes – not least to address the key client constraint of ‘proceeding through particularly difficult times and being in a complete fog’ regarding choosing between different support processes being put to them
- An integral part of the marketing/reassurance process is that of an **on-line mediation service** infrastructure – a creative way of communicating the mediation service offering and mediation benefits, breaking down of negative potential client



perceptions and reassuring potential clientele. The parameters of the design of this on-line infrastructure is outlined at the end of this sub-section

- The issue of possible bias emphasizes a need to spot clients very early at the ‘point of enquiry’ to direct to mediation – or bias can be claimed. Such an on-line marketing/client reassurance process is designed to assist in this client identification process
- The marketing approach will adhere to section 7 of the Solicitors Code of Conduct (2007) – outlined below in Hub Network Business Model

*Legal Aid:*

- FLP will make application for Approved Supplier status with Legal Services Commission
- Application process starts in February 2010
- Legal Aid contracts for mediation would come in September 2010 (from the Legal Services Commission)
- The application will be vetted and FLP will be asked how many mediations it could do – must be a realistic estimate or later penalized: FLP will go for 2 per week (and work toward above indicative ‘pace of development path’)

**Mode 2 - Development of a Mediator Membership Hub**

This sub-section develops the potential function and operation parameters of a mediator hub network business model (shown in diagrammatic form in Fig 5.1 below) in which FLP adopts a pivotal administrative, organisation, coordinating and delivery role in provision of a local, regional and national mediation service and mediation service culture.

**Function:**

**(a) The hub network provides a marketing interface (for FLP and Member Solicitors) with potential customer base**

- To communicate the benefits and advantages of mediation in dealing with family disputes vis-à-vis traditional court routes (as identified in the above assessment)
- In so doing counters ingrained prejudices and areas of misunderstanding relating to the potential of mediation
- Provides and fosters a 'mediation brand' and builds 'brand awareness'

**(b) Takes a forefront 'national lead' role** in nurturing a mediation service culture and providing mediation as a credible alternative legal support function (for potential customers and, interlinked, with socially responsible solicitors, some of whom may be nudged from reluctant relinquishers of mainstream commercial legal service provision to a more philanthropic mediation service providers)

**(c) Undertakes a 'social role'** in providing a quality and transparent service to society - not least in its provision of a helping hand to couples experiencing life difficulties whose alternative is to struggle on or to utilize the court route

(d) **Plays an 'economic' role** in providing a mediation-based more cost effective route to addressing family breakdown/problems

(e) **Provides a coordinating function** whereby clients are more efficiently and effectively informed about, directed to and provided with a quality mediation service

**Operation:**

**(a) Operates with the FLP as a central hub facilitator**

- FLP is linked in hub-spoke fashion to a number of local/regional/national member solicitor firms
- FLP refers mediation clients out to the spoke members
- Spoke members refer mediation clients back to the hub (either for FLP or for FLP to refer out to other spoke members)
- Spoke member solicitor firms pay an annual membership fee for the support service (£500 per annum)
- The Hub concept is underpinned, supported and facilitated through as an on-line mediation process (see point (e)below) and a social networking site

**b) Family Mediation as the Core Hub Offering**

- Family mediation is the core hub focus and service offering
- But other mediation expertise is also offered (for example, commercial mediation)

i. **Hub set-up and management operates within the rules of Section 9** of Solicitor's Code of Conduct (2007) relating to business referrals

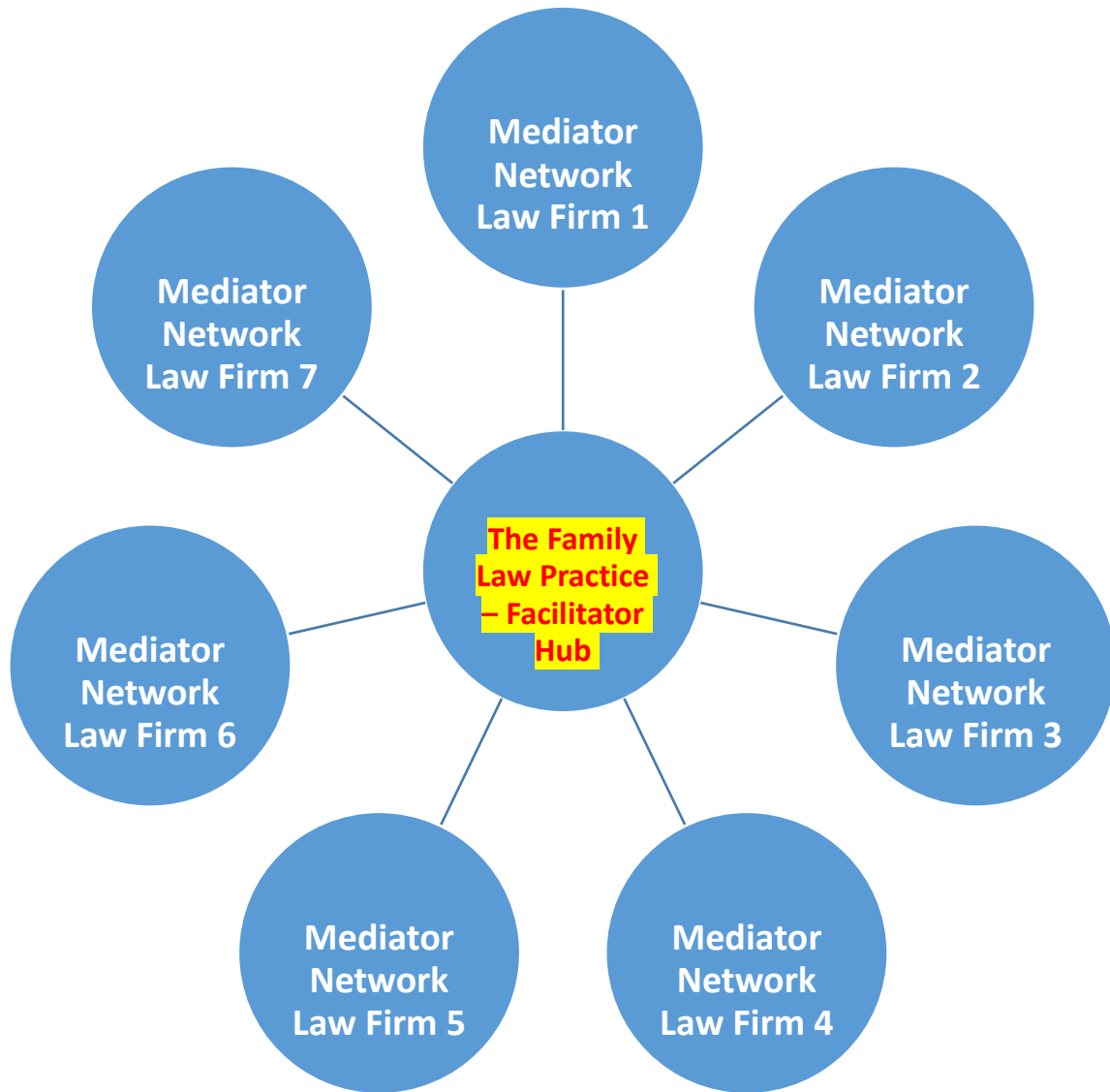
ii. **Marketing of the mediation service** is approached within the parameters set by the guiding rules within Section 7 solicitor's Code of Conduct (2007):

- Utilizes clear and transparent modes of publicity (no 'misleading or inaccurate publicity')
- No use of 'cold calling'; (no 'unsolicited visits and telephone calls' to a 'member of the public')
- 'No authorising of a third party to publicise your firm in any way that is contrary to Section 7'

iii. **On-line Mediation Process**

- An integral part of facilitating the marketing/client reassurance actions is that of an on-line mediation process discussed in option 1 above - but in this case tailored to the full requirements of an hub network model (the approximate parameters are presented in the following section: 'Developing a Mediation Website')
- *Search engine optimization*: The Hub concept is supported through a social networking site to allow for search optimising

**Fig 5.1: The Hub Network Model in Diagrammatic Form**



## 5.6 Developing an ‘innovative’ Mediation Website and Online e-services

The following portrays the outline parameters regarding development of a Family Law Practice mediation website (parameters of which can be adjusted to accommodate either the sole law practice mediation model or the hub network model):

### **The Family Law Practice On-Line Mediation Website**

- 1. Website Content**
- 2. Project Tools Technologies**
- 3. Acquisition and Retention objectives**

#### **1. WEBSITE CONTENT**

**Home**

**About Us**

#### **The FLP MEDIATION FRAMEWORK**

Information about FLP and Mediation Hub/Network. Customer mediation

Journey

#### **Virtual Tour**

Animated photo gallery of the Mediation framework and journey-Highlighting

advantages from both a personal and family perspective—research driven,

Highlighting the dangers and impact on Family and children in particular.

#### **The FLP TEAM AND MEDIATION TEAM**

Information about Lawyers and mediation team

## **Services**

Detailed explanations of all services and pictures/images regarding

Note: Highly Recommended: The plan is to put animated mediation services-demos into the website to make it more exciting, informative and professional.

## **Fee Guide**

Mediation and services fee details

## **Testimonials**

- Comments after and before from clients
- Comments form

## **Emergency**

Contact information and advices for emergency situations

## **Referrals**

Information about referrals and referral form

## **Case study Gallery**

Photo gallery of client cases- before and after situations

## **Appointment**

Appointment hours and appointment form

## **E-Newsletter Sign up**

Site visitor can register to get email from

## **Contact Us**

Contact details & Location map

General Contact form

Appointment for

## **2. PROJECT TOOLS & TECHNOLOGIES**

### **Programming**

ASP, T-SQL, HTML, JavaScript, VBScript, DHTML, CSS, SEO Optimised codes

### **Database**

MS Access Database-SMS/MMS

### **Graphic Design**

Adobe Flash, Photoshop, Fireworks, Dreamweaver

### **Hosting**

UK Based MS Windows Hosting (EasySpace.com) SMS/MMS



### 3. MEDIATION e-Framework construction

Website Project technical framework	KEY PERFORMANCE DRIVER
Programming & Graphic Design	Interactive Virtual Mediation Journey
Hosting Services  DATA BASE –acquisition and retention systems- both for Mediation hub network and clients	Main hosting & SSL services <hr/> Optimisation
Professional Animations in each mediation service pages	Virtual Management and Marketing support provision

#### Use of professional animations

Professional animations in service pages will illustrate a very creative visual journey of the various critical areas involved in the family divorce process. This will be an important element to help raise the brand awareness of the FLP online mediation services, and to help communicate that ‘divorce should not mean war’ and the impact of getting an amicable settlement from both a cost benefit and, even more importantly, from the impact that

messy and hostile divorce processes can have on children's futures. It is important to communicate that the mediation process allows the important decisions to remain in the hands of the husband and wife (or partner individuals) rather than the decision going to a judge and the potential outcome of a 'winner takes all scenario', or at least a judge-derived decision which inadequately reflects an individual's circumstances, desires and needs.

### **Data base acquisition and retention campaigns**

Online digital e-marketing acquisition and retention programmes will facilitate client interaction at various 'touch points' of the customer journey, through the family law divorce process, property settlement, employment mediation services and other family law services. This would target both potential and individual clients and lawyer hub members.

Regarding acquisition, this can be defined as the first payment for a service or, bearing in mind those most legal services, and in particular at a business to business level, will take place over a period of time and the more complex the process the longer this process will take. In this case, many acquisition programmes choose a discrete interaction as the success criteria. For example, a pre-registration, a request for a white paper or enquiry may all be seen as successful interactions. The success of a FLP campaign would be measured in the number of potential customers that have expressed an interest rather than the number actually making a payment. An example of an acquisition campaign will be the objective of the FLP increasing its private income from the Canary Wharf region. This would focus on highlighting the short distance from the FLP offices and Canary Wharf, and emphasising the large disparity in hourly fees when compared to law firms centred round Canary Wharf. Tag line—**'How much does a mile and a half cost!'**—For a distance of only a mile and half the FLP can offer a quality service at approx £125 per hour less'

A retention objective for the FLP mediation service, in the first instance, would be to simply raise awareness and gain attention. This may be through emails from existing enquiries which are personal, highly personal if possible (though not in any 'cold calling' form) - for example, thanking a client for their custom and encouraging them to register for our new innovative online mediation 'hub' or/and sign up for our online newsletter.

**Social networking** will be a key driver in the development of the FLP online mediation site - facilitating a customer forum for discussions of family law/services, latest debates/opinions, latest research, market trends and the seeking of advice and professional opinions of the process of mediation. This will be linked to other social networks and help in the optimisation of the mediation hub.

#### **5.6.1 Positioning the Mediation Service Offering as an Integral Part of Integrated, Holistic Family Law Practice Service:**

Whichever FLP mediation service market development option in 2010 was to be pursued (ie: Sole Mediation Service Provider; or Mediator Membership Hub), the web-based mediation service would sit as a pivotal , integral component of an all-embracing web-based e-services framework encapsulating the *holistic services* offering of The Family Law Practice. This holistic e-services framework would facilitate a shift in company positioning, communication and provision of FLP business activities in their totality (including marketing approaches and activities client service processes beyond traditional mail-base and single page 'this is what we do' web page communication and office-based client interface - to an holistic all-embracing web-based mode of client communication and, where appropriate, service activities provision).

The requisite development actions for build-up of this holistic service provision were elaborated within an owner manager guiding 'Development Frame' ('Development focus and actions for current operating period 2009/2010') which is presented in the end of chapter appendix.

### **5.6.2 Implementation of Identified Operational and Strategic Development Opportunities**

#### **(a) Researcher Support Implementation**

The researcher support input into the implementation phase of the FLP action research process was more substantial and prolonged than that within Hoxton Beach. Components of implementation completed to date (as at May 2014) represent practical outputs of the study (in addition to, and as a result of, the 'strategic development analysis') and are summarised as follows.

The Family Law Practice web-based holistic service provision was implemented over the period 2010-2014.

FLP working with the researcher and his ICT provider associate (Netforce Ltd) developed a web based holistic service provision during an 18 months period to 2012 in the form of a holistic all-embracing web-based communication and services provision.

This was implemented with key activities which included a service platform that provides customers and potential customers with detailed but 'user friendly' information of services they are looking for with regard to all FLP service offerings, underpinned by an innovative 'emotional marketing' approach facilitating new product service offerings in the form of a focus on financial and emotional factors impacting on Family breakdown, and in particular

the effect on children. These services offer to engage with customers at a deeper level emotionally and aim to produce more amicable results for all parties promoting and communicating the benefits of mediation. The online service provision also incorporates on-line customer interface together with a customer service provision that can be dealt with on-line such as:

- The 'Ask the Lawyer' concept where clients and potential clients can ask solicitors online 'real time questions' irrespective of their location'. This model can be chargeable as an additional income stream for FLP as part of their online service provision (at present this is a free online service provision that is used as a promotional service for the FLP online brand)
- An online divorce package for uncontested cases that can be underpinned via video conferencing embracing the online process
- Development of a continuous performing search engine optimisation programme has resulted in the FLP service pages being easily and promptly found by potential customer searching online. This has resulted in the 'Family law Practice London' name being listed on the first page of a google search listing along with an FLP location map being shown on the top right of that page (see appendix)
- Integration into social media and networking – an FL social media framework and tactics have been implemented and are ongoing (an FLP social media e-marketing tactics framework is in the appendix); including customised and service-specific promotion campaigns; and targeted campaigns emphasising new product information, special service offers and communication of law or legal aid support changes.

The FLP online mediation process, the mode one 'sole practice mediation service provision' was worked through to full design and implementation between 2012-2014 implementation. Whilst this FLP mediation service option was worked to initial design stages in 2010, commencement of full implementation materialised in the form of FLP as a Sole Mediation Service Provider in 2012. This was partly due to the unfolding long drawn out legal aid cuts that finally came into force in April 2013.

The unfolding uncertainty surrounding the legal aid cuts process thus resulted in only the sole mediation option being commenced - and only now (as at May 2014) is the option of implementing a 'mediation core hub development framework' (along with the more concerted promoting of mediation) being actioned. Family mediation as a core hub focus and service offering is now being developed; and other mediation expertise service provision, including employment mediation, is also now being considered by owner manager Andrew.

#### **(b) Implementation as an Ongoing Learning Process**

The actual process of implementation of identified development options within FLP reiterates the notion that small business strategic management is not a tidy step process of: discovery of options, through to choice of appropriate option(s) to be adopted, through to action by way of implementing that option(s). The strategic development assessment aided owner manager Andrew in identifying potential strategic development options – he identified within that assessment options he would like to pursue, However, the discovery process within the strategic assessment was only a partial discovery process firming up of the nature and form of the web-based holistic service provision- the specifics of the target customer base, the nature of the provision that customer base needed, the format, content

and workings of the web-based offerings required ongoing interface with the external environment and key informants therein; and constant interacting and to-ing and fro-ing between researcher, ICT provider and owner manager with ideas and their working and re-working. A process of try-out, experiment, trial and error - in the build-up of the final pieces of the strategic development picture (with regard to market niche, customer-type and product/service offering) and the operational level components that deliver the strategic development. Fully fledged discovery as to the final form the new strategic and integral operational development would take could only be completed by try-out action. And the same intertwined discovery, choice and action strategic management process describes the uptake and implementation of FLP's online mediation service provision – an ongoing learning and development interface between researcher, owner manager, ICT provider and those external key informants which had to be accessed to complete that learning and development process

The following section considers this process further, presenting assessment and analysis of the nature and form of strategy development and strategic management processes revealed within the undertaking of the above FLP strategic development analysis and implementation in its totality.

## **5.7 Strategic Management and Strategy Development within the Family Law Practice**

### **(a) The Role of External Operating Context in Conditioning FLP Strategic Management**

The build-up of understanding of the Family Law Practice strategic management and strategy development processes and activities and the ways in which these processes and

activities have evolved derives significantly from careful consideration of the nature and form of the legal sector external operating environment in which the business strives to survive and grow.

Key integrals to this external environment are the formal nature of the service provision offered by law firms to their client bases and an accompanying somewhat rational and procedural culture and operating parameters which permeate the sector. For example, a Solicitor's Code of Conduct guides, directs and limits key business forms with regard to such as appropriate marketing approaches and use of business referrals. And a 'this is the way we do things in this industry' mentality tends to perpetuate an ongoing 'more of the same' form of service provision - this itself perpetuated by, at the time of FLP start-up, a somewhat comfortable law sector operating mode in the form of 'legal aid' whereby certain potential law practice customers are entitled to government support by way of payment or part payment of their legal costs: arguably a rather comfy-comfy operating climate for many law firms. Moreover, the nature of the legal process and its severe demands on the time of lawyers implementing that process (including the practical time-sapping demands of court appearances) tends to impose unpredictable constraints on the business management element of running a successful law practice.

In turn, such a formal, rational, procedural industry sector is far from conducive to small law firm owner manager creative thinking, creativity and innovation. Indeed, Morrison (2007) emphasizes how from a very early stage in a lawyers career the legal sector squeezes out ability and orientation to be innovative: 'the law school conditioning to never-be-wrong and always-be-best is not really good preparation for the role of innovator ...the very definition of innovation belies every ounce of lawyer training. Innovation involves upsetting a status



quo, risking failure at worst and disapproval at best. Innovation specifically means doing something no one has done before. Starting with a blank slate, questioning every assumption, without precedent’.

Unsurprisingly, this combination of lawyer training and conditioning and legal sector operating culture seemed to orient the FLP owner manager, Andrew, at start up and early years of development toward more of a traditional, rational long-term planning mode of strategic management: his careful start up analysis of what represents a traditional law practice form of operation and product-service offering, the setting of forward development goals and the progressive monitoring of progress toward those goals.

In a number of ways, however, Andrew’s strategic management approach does diverge from any ‘pure’ form rational long-term planning. At the start-up phase of the Family Law Practice in 1999, there was no in-depth formal written business plan for the short, medium or long term (some jottings and plottings but no formal written plan) - but Andrew did have a mentally held flexible ‘envisaged end’ with regard to the direction in which he felt the firm should be moving in. In the first 12 months this was underpinned by Andrew’s self confidence in the type and number of cases he could bring in to sustain the firm’s start-up and development. Again with regard to growth opportunities, these were underpinned by Andrew’s experience and aspirations of where he wanted to take the firm. He did not consider the notion of formal rational business planning and associate written plans and in its place progressed the business through what was essentially his own mentally-held planning and development frame. But whilst utilising that mentally held planning and development frame to guide the business forward Andrew does not appear to have used it to full effect with regard to application as a mental frame which also creatively

encompassed the external change environment in which FLP was striving to develop. Andrew was certainly working hard to understand relevant elements of the FLP operating environment - but, arguably, he was battling in an essentially rational, procedural oriented legal sector which tends toward status quo conditioning, status quo business activity focus and status quo with regard to 'the way we do things round here'. And thus to a great extent FLP was fostered forward on a 'more of the same' mentality driven by an 'able, respected lawyer' capability which succeeded in nurturing the business to a stable level of activity and turnover during those initial six years or so.

Essentially, this somewhat static management approach was not in those early years of operation effectively picking up on the dynamic nature of the FLP external environment and unfolding enabling and constraining forces integral to that environment. Very likely it was the combination of high level lawyer capability and a convivial law services market (with its prominent legal aid funded customer base) that facilitated the successful cementing and early stages development of FLP - much more so than sound owner manager strategic management. In short, running a small law firm requires the lead solicitor-owner to be a lawyer-cum manager. Andrew was a very good lawyer and was having to develop appropriate operational and management skills and abilities as he drove the business forward. And both the industry sector culture and integral training and personal preparation and development which it provides to all new recruits were counter forces to the creativity and innovation necessary to the sustained driving on of small business development and growth.

Given this context and the highly competitive law sector environment, Andrew did very well to nurture his business from its 1999 start-up on to a sound operating base of around

£250,000 turnover by 2005. This same management approach, however, was to preside over a subsequent static period of non-growth where sales stabilized at this £250-260,000 level until 2009. And it was this inertia and parallel unfolding of critical external operating environment incidents which triggered a shift in Andrew's strategic thinking, focus and management approaches. A combination of banking sector induced recession and government intended response cuts in legal aid provision provided the 'push' Andrew had needed to take stock of FLP's development to date and the nature of the focal business activity that had so far underpinned that development. On the one hand, a fillip to FLP development to date had been legal aid work - which contributed approximately 75% of total income (vis-à-vis 25% from customer fee paying income). And on the other hand, the severe recession was unfolding a host of new challenges and potential opportunities.

#### **(b) The Unleashing of Dormant Owner Manager Creative Thinking Capability**

It appears that up to 2009 Andrew had managed well though not particularly creatively. His strategic management approach in the main (as described above) nurtured and reinforced by the business form and sector culture in which it operated had perpetuated a 'more of the same' progression path - and an associate 'more of the same' 'in the box' mode of thinking. However, on the arrival of this researcher-consultant within FLP (called in at Andrew's bequest), Andrew had begun to challenge the assumptions upon which his personal constructs of his business development to date and intended forward development path were based. It seemed that the recessionary climate, government decision to cut back on legal aid and several years of stagnating turnover were 'pushing' this rethink - but further assessment of FLP and Andrew's changing orientation suggest that it is more than this: to a

great extent Andrew was unleashing an up to that point dormant and hemmed in creative thinking capability.

Up to that point a number of specific forces and issues appeared to have constrained such owner manager creativity and thus ultimate consideration of innovative strands of FLP development. Putting more flesh on the bones of constraining context discussed in the previous section, these constraints include:

- The nature and form of the business - and its somewhat comfortable predominant legal aid enabled market focus
- The rational, procedural nature of the legal sector
- A tendency for this sector culture to produce standard small law firm business forms, structure and processes
- From this tendency, the FLP orientation toward traditional, rational long-term planning process - thereby perpetuating rational, in-the-box (limited generative, creative) strategic thinking
- Severe time constraints associated with actual legal process implementation and the daily demands of the small law practice working day
- The requirement to adhere to legal sector procedures such as Solicitor's Code of Conduct guidelines
- A counter creativity-innovation dimension of law school and lawyer training and conditioning - which is anti-risk taking
- An industry perspective that new ways of doing things often fail ('this is the way we do things round here')

- A sector of traditionalists who hit back when faced with new or innovative status quo-challenging ideas
- Possibly the existence of the odd traditionalist within FLP - who the owner manager may suspect or 'fear' may similarly hit back in the face of new change suggestions
- An owner manager perspective that 'we have done alright so far' - and an associate legal aid provision focus which reinforced this through providing 'comfort zone'
- An owner manager own perspective (similar to legal sector colleagues bulleted above) that following a new business strand and/or leaving behind the old is increasing risk (and to date the associate perspective of why leave the comfort zone)
- Owner manager self-questioning of his ability to push the boundaries regarding effecting business development - and thus with regard to freeing up his mind to free-think about such possible development
- A propensity of lawyers to criticize
- Owner manager willingness and energy to adequately identify and challenge his own personal construct assumptions re his business, those of other FLP solicitors and staff and those of the wider legal sector
- Owner manager willingness and energy to encourage and nurture different thinking and ideas creation in his staff members and others on the boundaries of the firms' activities
- Uncertainty regarding stability and future form of law sector procedures and processes and associate government process and support activities

Faced with such a multi-source of creativity stifling factors and forces even the most potentially dynamic and innovative of individuals are likely to be coaxed-back to remaining 'in their box of current thinking'. And whilst the intensifying recession, continued stagnation

of FLP turnover and announced withdrawal or reduction of legal aid provision did not suddenly remove the above creativity constraints which were impacting the owner manager, it did part push, part nurture him toward challenging his existing perspectives and begin to put in place creative thinking processes. A build up in emotional state saw Andrew experiencing feelings of apprehension and anxiety which he effectively managed to bring about strategic thinking as to the implications of the forces of change which were unfolding in and around the business: 'the credit crunch brought my emotions more to the fore'...'I was being forced to be more creative and flexible'.

Resorting back to PCT as guiding frame of analysis, Andrew had begun to mentally challenge key assumptions underpinning many of the legal sector-specific issues and constraints summarized above and his own personal construct-embedded interpretations of those assumptions. He was putting into practice the processes of loose construing and thereby setting the stage for more creative thinking - such loosening began to 'release facts long taken for granted from their conceptual moorings'...enabling them to be 'seen in new aspects hitherto unsuspected' and allowing the creativity cycle to get underway (Kelly 1955/1991). He was addressing and challenging the assumptions upon which his FLP-related personal constructs were based, loosening his constructions and beginning to seek to produce alternatives.

The central feature of Andrew's personal construct loosening was a re-couching of his perspectives of the current predominant focus of FLP's product/service activity in the face of changing external environment - a first stages, hazy personal construction of the implications of: (a) an unfolding recessionary environment, integral banking crisis, government spending cuts and associate likely reigning in of legal aid provision for existing

FLP business focus and activity ; and (b) what forms of adjustments to that activity might the firm pursue. It seemed that at this stage, the point in time when he availed himself of the supporting inputs of this researcher-consultant, Andrew was probably at what Fransella (2003) referred to as the mumbling to oneself phase of re-construing - and requiring assistance to push forward to test out his mumblings of loose construction toward their tightening through try out. Indeed, those initial mumblings where more in the form of very hazy partial reconstructions requiring more specific strands of insight and additional fact finding and understanding-searching which could move them closer to a sufficiently firmed up and tight form that would be capable of lending themselves to business experiment and try out.

Moreover, integral to this progress in Andrew's attempt at this more creative interpretation of the focus of his business's current activities is his need to effectively and explicitly surface, understand, challenge and address those stances and assumptions surrounding the legal sector and current day economic operating environment in which he is striving to develop his business and the associate changing needs and demands of his customer bases. His efforts with regard to this were in fact sound: he had identified the current business focus as inappropriate as an adequate driver of sustainable future growth; recognized at surface level key external environment constraints; and begun to brainstorm alternatives with his wife and colleagues, including possibilities surrounding enhanced website-based service provision and options relating to mediation provision as a potentially significant income stream. In short, he had been able, through the harvesting of ideas and insight and consideration of the changing economic climate, to begin to re-construe how FLP business focus may be adjusted and enhanced - but within the bounds and confines of his own

abilities and of the continuing impact of several of the constraints on his ability to shift into a more creative mode of thinking which were earlier listed above. The invitation in and arrival of this research consultant was to become a key facilitator to Andrew's progressively creative re-construing of FLP and its development potential - and the ultimate incremental testing out of this reconstruction into tight and validated personal construct form.

### **(c) Networking**

Networking is a potentially key learning and development activity for Andrew, particularly as a learning vehicle for knowledge acquisition in relation to legal advice from areas of specialisation or as a competitor analysis platform - both on a business level and on a potential advisory level of 'who or what' solicitor and law firm he may be coming up against in court. However, the form that such networking takes is more organic than formally developed, evolving to a close network of colleagues, acquaintances and valued sources of expertise that has been built up over a long period of time. Andrew does not avail himself of membership of or attendance at hosted business networking events. Or undertake structured pre-planned networking to identify individuals as potential sources of business or who may introduce him to other such seeds of new business. Indeed Andrew suggests, 'I am not great at this; should be but not...' Chamber of Commerce breakfast things – don't get round to it – don't do it as much as I should'.

Such FLP networking is trust and relationship-based. Andrew assesses himself as friendly and open with regard to building bonds and nurturing significant relationships: 'I enjoy developing mutual friendships but will take my time to cultivate a 'trusted circle' in my 'networking' approach, but this is not a 'pre-determined strategy, rather it is more informal'.



As a lawyer Andrew has to be a good listener and with ability to put people as clients or potential clients at ease under sometimes difficult circumstances. These skills help to position him as a good networker who can foster a communication process underpinned by empathy and the building of trust: in short, the communication and empathy oriented capabilities which he has fostered and applies during his FLP day-to-day solicitor-client operational roles similarly underpin and facilitate his wider FLP relationship and networking interfaces. Thus he has a trusted net of key informants which can serve as learning and developing forms of networking whereby he establishes constructive rapport in both business and social face to face meeting situations. The Family Law Practice within its external operating environment provides a network of contacts and potential contacts from whom Andrew from time to time learns through genuine chat and dialogue. On occasions these are fleeting one-off dialogue interfaces but more generally are from the build-up of genuine relationship from ongoing interaction with resultant outputs such as how a 'discussion with an ICT provider relating to online activities of law firms in the United States resulted in the online income model of 'Ask the Lawyer' being developed and tested for FLP'. This is where for a small fee a question of particular importance to a client (or potential client) can be asked via an online portal and within a short period of time an answer is given back from a qualified Lawyer.

Thus networking is a significant strategic learning activity for FLP which has, for example, at least part facilitated opportunistic business development in the form of a family mediation service and its online strands and likely to contribute in its further development into '*network provision*' form within the region through linkages with other providers. And the effective undertaking of those networking activities is in turn facilitated and driven by

particular owner manager skills and abilities - not least emotional competencies which underpin learning interfaces with network-based key informants. These learning capabilities are considered further in the following sub-section.

#### **(d) Dialogical Learning**

A key element of FLP networking as a source of learning is its emphasis on the intertwined role of dialogue and deep conversation as the mode of learning. Good networking is underpinned by trusted dialogue, with each party to the dialogue working within that dialogue to understand and take on board the others perspective: seen here is an owner manager ability to temporarily suspend impact of his own personal constructs regarding an issue under discussion and to unearth the messages, perspectives and associate assumptions being offered by his 'partner in dialogue'. And to be able to ask of himself 'is there anything in this world view for me' - is the insight that this person is offering of me worthy of me making some early stage adjustment to my own perspective of the situation?

Indeed, this key role of dialogical learning and its importance as partial facilitator of owner manager enhanced creative thinking was crystalised by the part played by the introduction of this researcher(the academic action researcher) to the FLP business development scene. In the first instance this involved mutual dialogical learning by owner manager and researcher in their early exchanges of perspectives and getting inside each other's personal constructs as foundation for building up base insight of FLP development to date. And in subsequent stages involving the action researcher in study and analysis of FLP and it's highly uncertain external environment. The bringing into FLP of detailed consideration of the ways in which the recession was impacting the legal sector and the family law sub-sector in particular facilitated ongoing dialogue with Andrew which enabled him to: (a) cement and

reinforce those current areas of his existing personal constructions which were in line with the new perspectives being offered by the researcher (which he had already begun to adjust and enhance from his own previous learning); (b) challenge and adjust or replace areas of personal constructs which the researcher's new perspectives suggested were inappropriate or inadequate; and (c) take on board the researcher new perspectives as partial strands of new insight to contribute to enhanced owner manager creative, strategic thinking - and thus the possible 'front end' of ultimate FLP creativity and innovative development strand.

In this way, the academic action researcher can be seen as representing yet another of the network of key informant sources of learning used by FLP. But in this instance a key informant which in part at least is playing a crucial role in 'breaking the owner manager's circle of low level creative thinking and creativity' that has been perpetuated by an ongoing industry insider view of the somewhat rational procedure-based legal sector. At worst the academic researcher was providing in-depth reinforcement of Andrew's gradual build up of understanding of the FLP change environment and its implications - and at best providing well-enhanced or new perspectives of the nature and form of key relevant external change and their enabling and constraining implications for FLP.

Importantly, whether from Andrew as source of his personal constructs enhancement or academic researcher as source, that insight and understanding did not result from traditional market research modes of management. Andrew utilized a combination of his own key informant network interfaces and readings and studying of various written report type sources. And the academic researcher followed much the same process: dialogical learning from his own key informants and analysing of press and other media assessments of the economy and the legal sector - a progressive approximation and re-approximation of

his personal constructs relating to FLP and its environment (and the trying out of these partially firm personal constructs in subsequent interface and dialogue with owner manager Andrew who in turn was 'trying them on for size').

An example of adjusting own current constructs was Andrew's interface with the researcher-consultant in developing a creative emotional marketing approach towards promoting the opportunity and benefits of the FLP Mediation Service. Thus, through dialogical learning a strategy evolved underpinned by focusing on the human cost, both emotionally and financially,' vis-a-vis the 'traditional court route of divorce and separation. Where, for example, in the traditional approach, the decision as to custody of children is ultimately outside of a parent's control and can lead to a 'winner or loser scenario' depending on the judge's ruling. Moreover, there was a particular emphasis on the impact of this process on children, from research driven information communicating how children's education and future can be devastated by contested proceedings via the courts, so much so that 'the girl who at the age of 13 was doing well at school and was aiming to become a lawyer-no longer becomes that person'. Dialogue and interchange of perspectives unfolded understanding of the potential embedded within provision of a FLP mediation service. It should also be noted, however, that within The Family Law Practice the main driving force has always been Andrew: pivotal individual as owner manager and lead lawyer. The main learning and development and creative thinking drives from Andrew. The innovation, control and feel of direction of the firm is in Andrew's hands. Thus, the main source of dialogical learning and networking activity that facilitates much of the dialogical learning is Andrew. The extent to which strategic dialogical learning and networking inputs derive from other staff members and is taken on board by Andrew, depends on an informal hierarchy structure within the

firm, starting with his wife April who is a key informant as the practice manager, then with the other solicitors and then administrators. This is not a rigid structure and does appear to depend also on the quality and initiative of staff employed by FLP at any one time and the trust and confidence Andrew has in those employees. A key advantage within FLP is the employ of Andrew's wife - which sees a natural dialogical interface between Andrew and her intertwining the workplace and the home which offers itself as a valuable 'chewing over the fat' and problem and opportunity learning conversations process. Within the legal sector knowledge and experience of individuals on the boundaries of the firm's activities can be key facilitators of learning and understanding-building. However, as Andrew stressed, this can be a very rational procedural industry and is not seen as being particularly creative and innovative in its business processes, many lawyers do not have skills, competencies or orientations to develop or draw on dialogical type learning relationships – and whilst a source of understanding building it probably is not milked as much as it could be.

#### **iv. The Integral Concept of 'Bringing forward Experience'**

As already put to the fore within this study, a central proposition of personal construct theory is that we as individuals having significantly adjusted an existing personal construct or created a new one will seek to test out that personal construct by putting it into practice as soon possible. We will behave in accordance with how the personal construct is guiding us - that is to say, we anticipate that if we behave in this manner then that will be the outcome, and undertaking that behaviour in experimental form allows us to test whether that personal construct 'behaviour-anticipation' guidance is valid.

It follows from this reasoning that an owner manager who is faced with a hazy personal

construct of a new issue or situation, one in which he has little confidence, will only tentatively undertake a process of experiment to test the constructs validity and utility. He is likely to commit less resource, funds and energy to testing out such a personal construct. Conversely, if an owner manager feels he has learned soundly about a new issue he is more likely to enter enthusiastically and confidently into his personal construct 'try out' and testing.

Such reasoning, it can be argued, underpins a key role of the academic researcher within this FLP action research project. Owner manager, Andrew, has been steadily attempting to re-approximate his personal constructs of FLP and the enabling and constraining dimensions of the FLP operating environment. Some of these constructions are sound and basis for future business development decisions and behaviour; other personal constructs are limited and offer poor grounding for informing positive business development actions. And here steps in the facilitating arm of the academic researcher: the strategic position analysis conducted by the researcher has provided numerous frames of reference to guide and inform Andrews personal construing - a set of alternative personal constructs for Andrew to try on for size.

Some of these researcher-produced frames of reference have led to enhancement of Andrew's personal constructs to a degree where he has increased levels of understanding so that he could with a reasonable amount of confidence implement strands of business development 'try out' - he now had better, more rigorous personal constructs to guide him in choosing and designing appropriate new business development activity and behaviour and be reasonably confident that such behaviour would produce an associate anticipated business outcome. In short, the academic researcher had unfolded alternative personal constructs for Andrew to try on for size and use to improve or replace his existing constructs.

Of particular note, however, is how some academic researcher learning within the strategic position analysis incorporated insight such as how the recession has been found to be already impacting and causing changes in law firm client behaviours elsewhere (Ireland being a case in point). Or how some forms of on-line mediation have been successfully developed in other small law practices. Under such circumstances it can be argued that in the offering of these personal constructs of understanding to Andrew, the academic researcher is not merely facilitating Andrews enhancement of his own personal constructs in this respect - but actually enabling him to 'bring forward his experience' in these areas of learning: in short, Andrew is able to draw on these identified areas of understanding to inform creative design and development of new or adjusted business focus and activity within FLP without having to firstly fully experience new hazy ground through 'actual doing' personal construct test out and experiment. Of course he may well still have to conduct experiment and try out of the newly identified business activity, but from within more solid personal constructs which provide more rigorous grounds for practical decision-making (whereby some of his personal construct is formed by the 'brought forward experience' about which he is already more confident). In such instances, it can be said that Andrew is effectively being facilitated in 'bringing forward his experience', at least in part. And thus, in these 'experience bringing forward' situations, managing the development of his business from a more confident decision base with regard to resource, finance and energy allocation and certainty levels with regard to outcome.

Moreover, such 'bringing forward of experience' is not merely a process of copying what has gone on elsewhere or replicating business focus or activity of some other business from where this 'brought forward' understanding has been derived. The researcher offering of this

new insight to the FLP owner manager as alternative personal constructs of understanding for the owner manager to try on for size still requires owner manager creative thinking ability to loosen his own existing personal constructions relating to this area of understanding and work through the implications for his business and how this new insight can be acted upon in innovative business development terms. Andrew is being facilitated in terms of circumvention of his need to actually experience himself all aspects of an unfolding external change situation in order to gain understanding of it and thus in provision of opportunity to revisit his own worldviews and combine facts and insights into more productive combinations.

Indeed it can be further argued that much of the personal construing and re-construing that we as individuals undertake involves the 'trying on for size' of the personal constructions and perspectives of others and thus that much of this individual learning and development process involves us in 'bringing forward our experience' (taking on board understanding from others' experience to guide us rather than having to physically experience the full situation ourselves in order to effectively learn about). Thus, Andrew (and other owner managers) are constantly learning from key informants by determining their perspectives on a given issue or situation, 'trying on for size, that personal construction and in some of these instances using that new 'tried on for size' understanding to cement their own personal constructs and inform future business development behaviour within their business - having by-passed the need to fully experience that issue or situation personally to effectively build up understanding of it.

As such, therefore, owner manager 'bringing forward experience' can be considered a major element of the small business strategic learning and development process. But, as seen



earlier within this analysis, for owner managers such as Andrew a multitude of constraints can hinder owner manager capability to conduct the sub-processes associated with personal construing and re-construing - also including, therefore, the ability to identify and learn from the experiences and perspectives of trusted key informants (or indeed from the written word where such understanding may be embedded in documented media such as economic or market reports) and thereby in this manner 'bring forward own experience'. In this respect, this academic researcher played the role of facilitator of Andrew's strategic learning and development, including in several instances facilitating him in 'bringing forward his experience'. Indeed, a similar interpretation of the notion of 'bringing forward owner manager experience' can be found in action within Hoxton Beach - but emphasis is given here to this notion as it stands to the fore in the case of FLP where Andrew was fighting to make sense of an unfolding hostile external environment and its particularly adverse impact on the business. And from this strand of this strategic management analysis unfolds two key messages: (a) effective small business strategic learning and management requires the owner manager to facilitate his own learning about and acting upon unknowable, unpredictable open-ended change; and (b) a key role of small business support providers in contributing to enhanced small business strategic management and planning is the provision of management development and consultancy support which promotes understanding of this personal construct-based small business strategic learning process and which helps facilitate owner manager implementation of that process.

#### **v)-Strategic Learning by Doing – the Role of Experiment and 'Try Out'**

This component of analysis of FLP strategy development and strategic management processes takes the liberty of temporarily stepping outside of the chronological development

of the business, focusing firstly on the period of business development facilitated by this action research project - before returning to the start-up and early growth period of the business. Whether driven by an adjusted or new owner manager personal construction that has evolved from an almost totally 'fresh' assessment of the FLP change environment or a personal construct(s) which has been informed by some element of brought forward experience from trusted key informant, FLP implementation of new strategic business behaviour informed by those personal constructs has been predominantly through an experiment or try out approach.

Within project one enhancement of the FLP website and development of the online mediation service component of product- service offering was approached in piecemeal, test tube proportions to facilitate test out of the owner manager personal constructs which informed the strategic development process and thus conformation or disconfirmation of the validity of those constructs - and whether the integral strategic learning is appropriate or requires further learning activities with associate adjustment to personal constructs.

Such experimental progression was facilitated beyond the base build up of owner manager personal constructs of understanding of the nature and form of the area FLP strategic development potential to incorporate provision of an academic researcher-produced guiding planning and development frame and actual practical implementation support-input from a wider research team - this latter input involving an ICT strand of support from the academic researcher's consultancy arm of small business development activity.

Such a step try out approach enabled gradual enhancement of understanding of key issues

Such as legal sector target customer requirements, the ways that these needs can best be

accommodated through online provision, the ICT technicalities regarding facilitation of this offering, associate business development processes necessary to underpin this strand of development and the encountering of and dealing with constraints and hindrances relating to both implementation and effective ongoing operation. Such incremental experiment also ring-fenced a maximum resource allocation to the development and in so doing represented a 'controlled risk' (rather than 'pure' or 'calculated') approach.

What will be project two represents a totally new to market, highly creative and state of the art mode of mediation service provision which positions FLP at the centre of, and driving, a mediation service hub involving spoke-based law firm collaboration co-providers of online mediation service. Whilst only just (2014) reaching a stage of development toward pilot implementation, the whole process of learning and development of the hub service provision to pre-pilot form has been one of approximation, re-approximation of both owner manager, Andrew, and academic researcher personal constructs - including sub-processes of experiment, try out and trial and error. Such are the activities and processes which are currently contributing to ongoing elaboration, design and development to this strand of FLP strategy differentiation.

Analysis returns now to the start-up and early development period of FLP. It can be argued, and has indeed already been argued above, that the business was set up by the owner manager utilising what approximates a rational planning mode of strategic development. He brought with him the experience and know-how of family law practice and utilised that experience to establish the core and focus of the business and with an associate confidence that such a focus and service provision was one that could be and should be taken forward into the future in a 'more of the same' form. And by implication that the external market and

economic sub-environments were sufficiently stable and conducive to facilitate that 'planned' forward development.

However, such stable and static owner manager thinking, conditioned to a great extent as it was by the nature and form of the legal sector and its culture in which the owner manager had been trained and had practiced, was not conducive to effective management of the *evolving* external environment in which FLP was striving to grow. A rational planning-type management mode of operation may have been appropriate whilst the environment contained static and government funded strands of market niche. But as the environment turned progressively averse the owner manager was nudged, nurtured and pushed into a 'learning ones way along' mode of business development within which experiment and try out became the natural (and one could argue only way) of confidently getting a handle on the external change environment and building understanding of what kind of new areas of business focus and service delivery modes are appropriate to the ongoing sustainable growth of FLP. This shift in strategic thinking and strategy development is considered in more detail in the following sub-section.

#### **v. No Step-actions Strategic Management Process**

In the face of an adverse and hostile external environment and internal plateau of sales Andrew was finding that his personal constructions of FLP and its business focus were being challenged: he was over time experiencing negative emotions of concern, apprehension, anxiety and even fear that his personal constructs, his perspectives and opinions and the assumptions upon which they were based, were out of sync with the vagaries of the fast changing external environment.

A rational planning approach to this unfolding scenario would be to carefully reassess the enabling and constraining nature of the FLP external operating context to reveal opportunities and threats, identify and analyse the alternative development options available to the business and select and implement the most appropriate, viable option (s). But such an approach assumes that an owner manager has the time and ability to identify, obtain and adequately assess all necessary information. Andrew was strapped in by the legal workload and timetable of his business. Integral to this information collection and analysis requirement is an assumed propensity to determine relevant cause and effect relationships with regard to issues being considered and with regard to the ways in which any selected development options will unfold. Significant here is that since much change is predominantly open-ended, totally unknowable in terms of timing and consequences, even the most able of strategic managers would be unable to rise to this challenge - Andrew's expertise centres on family law, not business management and economics: rational, logical assessment of FLP in it's business environment would always be out of his reach. Not least when one further considers that any rational planning mode of strategic assessment relies upon use of information relating to the past and present to plot a business into what is an unpredictable future.

Thus, Andrew's orientation toward a more generative, creative mode of building strategic understanding and managing FLP forward is in many ways inevitable - he simply could not effectively conduct a tidy step-action, rational decision making-based strategic management process. Not just him - no small business owner manger could pull this off. What really is at question is the extent to which an owner manager in a position such as Andrew, clamped-in by a busy legal work business context and an increasingly hostile external environment,

could devote time, energy resources and progressively enhance business acumen to challenge and enhance his personal constructs of the focal activity of the business, its impacting change environment and what would represent appropriate adjustment to that current business activity as foundation for growing the business forward.

Many small business owner managers find themselves swamped by this challenge and simply go under. But Andrew's effective loosening of his existing personal constructs and working up to adjusted or alternative tried out constructions (described and assessed in previous sub-sections above) represents his strategic management process - an antithesis to the tidy step-action rational long term planning model of sequential discovery, choice and action. That antithesis is embodied in messy management of actions of partial discovery through networking, learning from reading, trying on for size the perspectives of others through dialogical learning, getting inside the personal constructs of potential key informants - and from this still only revealing part discovery of possible business development forms for FLP: and thus needing to further learn regarding validity of the incrementally forming new owner manager personal constructs through test tube proportion experiment with those emerging business ideas. A jumping from discovery to action and back to further discovery - before feeling confident that the experimental business activity is confirming the validity and usefulness of the new owner manager personal constructs that have guided and informed the experiment. And are finally suggesting that the initial bounded business experiment can be progressively extended (and refined if ongoing action so dictates) into a full blow new business development strand for FLP. Thus the antithesis: FLP strategic management not as tidy step discovery, choice and action process: rather, as messy intertwined 'partial external environment discovery

learning’, then ‘experimental try-out action-based discovery learning’, possibly followed by further return to ‘external environment discovery learning’ and back to more ‘experiment and try-out’ – before finally reaching point of personal construct confidence that facilitates full-blown ‘choice’ as to ultimate intended business development which will be implemented over time into the future (until the ongoing owner manager creative strategic learning once again challenges that current personal construction).

The above conceptualisation of FLP conducting of its strategic management process as messy intertwined discovery, choice and action and in the realities of business practice in a hostile environment the owner manager having no option but to so manage could be argued on its own to be providing unequivocal rationale for such a strategic management approach. But the need for such a management approach receives further support when considering the arrival on the FLP business scene of this researcher support provider – and the support process he conducted: strategic development analysis; identifying strategic development options; provision of a guiding ‘strategic development frame’.

Even with this ‘support expertise’ and resultant guiding documentation the *implementation* phase of the support showed the need for further *discovery* both in the form of the researcher accessing additional key informant expertise learning inputs and in the need for experiment, try out and trial and error to firm up discovery to a point of confidence (including with regard to target market, fine detail of customer needs and product/service offerings and web-page form and contents). Such additional practical experiment and try out learning activities and actions included producing drawings and jottings and online images of mediation-related visuals in a marketing and promotional form which would ultimately effectively play to potential customers’ emotions and needs (integral to this

process was ongoing build up of understanding of just what those customer needs were and of how to best 'touch' and communicate with the customer's emotional state); such learning actions required exchange of owner manager, researcher and ICT provider perspectives with each 'adding their bit' to the jottings, sketching and visuals, or suggesting alternative – and the injection of newly identified perspectives from external key informants.

In short, gaining understanding of relevant slices of the external environment, determination of appropriate parameters of the strategic development opportunity and of the nature and form of strategic and operational resources and abilities and operational processes adjustments within the business to facilitate seizing that development opportunity is a highly complex task. It is one of to-ing and fro-ing between initial partial discovery and bit-by-bit behavioural business actions to firm up that discovery into confident, workable foundation form. Even the injection of support expertise to the small business does not remove the need for a messy, no tidy steps, intertwined discovery, choice and action learning ones way along strategic management process.

**vi. Strategy as Essentially Emergent – but not totally non pre-determined**

As discussed in previous sub-sections, at outset of the business FLP owner manager, Andrew, bringing his legal sector expertise to bear, carefully assessed and determined the nature and form that the FLP business activities, market focus and product-service provision should take and proceeded to develop and establish this focal activity as core family law specialist foundation to be taken forward into the future: a predominant legal aid supported customer base focus with a relatively small parallel balance of fee-paying client provision.



This he successfully did, progressively building up turnover over a number of years until it plateaued and the external change environment began to impact. To this extent strategy within FLP can be considered as a pre-planned and pre-determined phenomenon: Andrew through pre-analysis and assessment pre-determined appropriate business focus and scope and how this would be cemented in terms of achievement of early stages adequate market share and the form and direction that this build up business should take into the longer term future.

But such pre-planned 'more of the same' focus was susceptible to economic and legal change forces and as discussed earlier the intensity of this change and associated uncertainty pushed Andrew into incrementally unfolding understanding of both the nature of key change forces and their possible implications for his business: the various learning and development modes, including strategic try out and experiment activities is seeing strategy in terms of focal business activity, client type, what is appropriate 'product' form and service delivery mode emerge and unfold in small episodes. And to this extent strategy can now be considered as an emergent phenomenon within FLP. Strategic shift is gradually being engineered in terms of delivery mode which at least in part utilises online service provision and interaction with clients and orientation to a new complementary market niche service offering of online mediation provision.

In practice it is likely that strategy within FLP will continue to be the result of a pragmatic mix of planned and emergent development paths. 'Emergent' business development activity resulting from owner manager messy bouts of strategic learning activities in response to identified concerns and anxieties about adequacy of his existing personal constructions of elements of FLP - with owner manager engagement in 'loose' construing activities and

processes and the pushing of such loose constructs to tightening stage through practical business project 'test out' and experiment. In many instances, the nature of external change situations which unexpectedly unfold and impact the business will determine that Andrew must act in such, emergent 'learn ones way along modes'. Indeed, one can argue that from the paradigm stance of this research, that a predominance of such owner manager emergent strategy making is theoretically proven. A small business owner manager must be posited as 'man the scientist' whose natural propensity is to predict and anticipate the outcomes of his behaviour - and to do this he builds personal constructs from his past experiences which inform what his behaviour should be and what the outcomes of such behaviour will be. Integral to that predictive propensity is a desire to test out as soon as possible the utility of his informing personal construct and to do this in test tube proportions so as to evoke early confirmation of validity (at lowest possible risk) - and thus confirm potential for ongoing use of the construct; or the need for adjustment or replacement if the construct proves inadequate.

Given this 'natural man the scientist' demeanour of small business owner managers, it thereby follows that such experimental learning and development episodes will represent their natural and frequent strategic response actions to understanding and acting upon the enabling and constraining dimensions of their external environment. Moreover, feed in the proposition that the contemporary business environment is predominantly epitomised by totally unknowable, unpredictable open-ended change situations then one sees an owner manager who is a natural anticipator and predictor attempting to survive and strive in an operating environment that is essentially totally unpredictable. The only practical outcome of such circumstances is that small business strategy will be a predominantly emergent

phenomenon - emerged by creative owner manager loose to tight construing, utilising short test out experiment confirming business development episodes. And of the pre-planned element of the strategy development form 'mix' - once confident that strands of emerged strategy are effectively underpinning development of the business, an owner manager may well decide to stick with that strategy in a 'more of the same' mode into the future: with the more creative and astute owner manager, as Andrew is showing to be, progressively reviewing the ongoing utility of his personal constructs and being prepared to flexibly adjust that business development strand or abandon it altogether if his subsequent loose construing and re approximation of his business and its enabling/constraining context so suggests. The less responsive owner manager may of course stick with his 'more of the same' for too long - and merely tick-over or stagnate or possibly even eventually sink without trace. At one stage of FLP development Andrew fell into this 'low responder' category but as external change forces intensified and the somewhat cosy initial operating environment abated his emotional state of apprehension, anxiety and concern began to build and impact - which in turn triggered a cognitive thinking process focussing him on unfolding understanding of the enabling and constraining implications of the adverse change FLP was beginning to face. Control of those emotions enabled him to positively orient his thinking and to begin to identify potential strategic options which may be appropriate to drive FLP forward. For many small businesses during this period of economic decline emotional state has got the better of the owner manager - potentially allowing circumstance to decline into a state of agonised thinking, thereby reducing his or her ability to focus thinking and proceed to effectively 'emerge' sound strategic development path in response to the adverse climate.

## **vii. Effective Short-term Operational Control**

Many small businesses are epitomised by imitations surrounding availability of appropriate forms and levels of fixed and working capital, associate difficulties relating to adequacy of the business infrastructure, operating assets and quality of workforce. This in turn impacts the owner manager in terms of severe time and energy levels constraints. FLP has and continues to develop from sound financial foundations and has in place a solid asset base and a well qualified capable team of workers and in many ways circumvents the constraining elements which hinder the progress or make day to day operation of so many small firms difficult.

And yet, as with many small businesses the nature and form of the business activity and the customer base and the day-to-day working processes and routines which need to be efficiently undertaken to effectively serve that customer base intensifies the daily time and energy pressures which impact the owner manager. For Hoxton Beach such time pressures have their origins in daily food preparation and service deadlines. For FLP those time pressures emanate to a great extent from legal process schedules, not least surrounding preparing for and attending the courts.

Such a pressure-cooker workday context can orient owner manager, Andrew, to a natural inward workday process focus, having to concentrate on completion of daily operational processes. That he has 'slack' to enable him to reflect on the 'bigger external environment change picture' is to a great extent down to the sound financial management and operating processes which have been put in place. And, integral to this, that control elements of these activities are very well managed by Andrew's wife - this alongside an efficient working of day to day operating processes by quality legal staff. To this one must add the already touched upon benefits associated with husband-wife co-working and the unconstrained opportunities outside of the working day interface to constantly exchange ideas, 'chew over the fat' of the business and brainstorm each other's perspectives as to progress and areas of development potential.

In short, although constrained by the nature of the business, a combination of tight control, efficient day to day running of operation and existence of an ongoing owner manager-wife mutually supportive interaction do facilitate owner manager learning about and building understanding of the wider strategic development context of the business - and the undertaking of (in the place of formal market research and market information gathering processes) idiosyncratic actions such as key informant learning conversations and experimental business development activities. Table 5.3 below summaries the key FLP research processes/outputs with supporting data and data sources.

**Overview Summary of Key Family Law (FLP) Practice Research  
Process/Outputs – With Support Data and Data Sources**

Summary of Key Research Process and Outputs	Supporting Data
<p>The study portrays the effective start-up, intervening ‘stutter period’ and regaining of momentum within a refined business model of a small law sector firm – and provides integral in-depth insight re historical development path to current strategic position of the business and associate understanding of the nature and form of owner manager strategic management process and practices</p>	<p>Analysis of historical company and business context documentation; ongoing ‘partnership working’ and learning conversations with owner manager; observation of business operation; key informant interviews: Outputs from which are all incorporated into the case study and base evidential file – including written and recorded documentation of key informant interfaces; reflexive journal and ‘contextual analysis’ documented to capture incremental development of the business</p>
<p>Understanding of the changing nature of Family Law Practice’s external operating environment - and the way that relatively sudden change in environmental conditions from comfortable, static to potentially hostile prodded the owner manager away from inappropriate rational, long term planning mode of management to a more creative and learning ones way along strategic management form</p>	<p>Analysis of the FLP law sector operating environment through key informant interface with sector specialists, partnership working with the owner manager and assessment of law sector analytics determined the relatively cosy and ‘rational’ and procedures-based culture of law firms – and how this fostered a rational management oriented owner manager approach at FLP start up and early stage development and growth (linkage analysis presented within the case study; with further support data held in the study base documentation file); and then how the external legal sector economic and market sub-environments suddenly turned hostile, triggering owner manager self reflection on a newly emerging constraining operating context and the need to challenge his own focus and strategic management approach</p>
<p>Finer detail understanding of how the key ‘adverse slice’ of FLP’s external environment change grew out of the financial crash and manifested itself by way of major disruption to the cosy law sector operating context – and nudge the FLP owner manager out of comfort zone to creatively identify an appropriate alternative business model (with facilitation from this action research project)</p>	<p>Partnership working and deep learning conversations with the owner manager revealed how feelings of anxiety re how external change was unfolding in the form of intended reduction of legal aid were nudging him through own emotional competence to use the ‘fear factor’ positively to identify and implement a refined business model. Further analysis within this project put ‘flesh on the bones’ of owner manager understanding of the nature of the change impacting him and identified linkages to increasing customer demand for mediation services and the potential for online holistic law service provision - detailed understanding of interconnectedness between unfolding economic forces, changes in consumer needs and behaviour and emergence of new market niche are embedded within the case study (experiences of other law firms in this respect are held in the study base documentation file and used where appropriate within the case study)</p>
<p>Understanding of the resultant differing non-rational planning strategic management form adopted by the owner and the ‘constituent parts’ of that management process – this, in the face of a more uncomfortable external environment, shifting more towards approximation of the Hoxton Beach strategic learning and management process: a less tidy intertwined discovery, choice and action form</p>	<p>As with Hoxton Beach, learning conversations interface with and detailed explanations from the owner manager and, in this instance, from his office manager wife - but within this project it is the ‘partnership working’ with the owner manager in particular that has facilitated build up of fine detail understanding of his strategic management process and integral practices and activities. The project has involved ‘partnership working’ to get a real working handle on the interconnectedness of ‘economic change-changing customer needs-emerging new market niche potential’ – with the researcher identifying and analysing disparate sources of expert understanding to help the owner manager adjust and enhance his personal constructs of understanding of his business, its changing environment and appropriate new business model. In parallel to this new business model design and implementation has been researcher observation and experiencing of changes in</p>

	owner manager strategic management forms – not least with regard to learning his way along through dialogical learning and use of experiment and try out to progressively mould the new business (assessment, design and implementation activities are captured within the case study and within the appendix)
A narrower (than within the Hoxton Beach case study) fine detail understanding of the role and contribution of emotional intelligence and emotional competences in facilitating and driving owner manager strategic learning and management capability and form (real depth of understanding is derived – but in a specific, narrow action context: the nature of this study was more on an actual strategic design and implementation provision with slightly shorter timeframe which did not accommodate emotional competence focus as in Hoxton Beach)	Written and audio documented interactions with the owner manager, observation of his interactions and behaviours with others within and on the boundaries of the business and researcher ‘readings’ of his interfaces with others have been combined with request for a <u>limited</u> (vis-a-vis Hoxton Beach) owner manager self analysis of his emotional competences strengths and weaknesses to build up understanding. However, researcher observation and assessment of the impact of the owner manager’s experiencing of the emotion of ‘fear’ re the potential impact of law sector change and his self managing of those emotions form key foundations of understanding of the role of emotional competence in FLP strategic learning and management (understanding of interconnectedness between owner manager emotional state, his strategic thinking and ultimate changes in management and business behaviour is embedded in the case study – audio and written documentation of owner manager self assessment of his emotional competences is held on the study base documentation file)
Understanding of the unfolding of owner manager orientation toward creativity and creative thinking in the face of adversity (hostile external change ) – owner manager putting into practice the processes of loose construing to set the stage for more creative thinking: and how academic researcher support within the action research process helped facilitate this owner manager creativity process	Learning conversations and partnership working with the owner manager facilitated further his already commenced releasing of facts and assumptions regarding the legal sector which he had long taken for granted, thus enabling him to view the environment and legal sector modes and foci of operation in different ways – and thereby allowing the owner manager creativity cycle to get underway. Observation and partnership working on strategic analysis and implementation within FLP facilitated and made explicit how this owner manager orientation unfolded (captured in the case study and recorded in the base documentation file: strategic analysis document; written documentation of learning conversation interfaces; reflexive journal)
Raising of the notion of ‘bringing forward experience’ and its key role in FLP owner manager making sense of his fast changing environment and associate stagnating business performance – and the potential for external support providers to facilitate small business learning from the experience of others	Facilitating owner manager learning and development within the study was significantly underpinned by his ‘trying on for size’ the worldviews and experiences of others and thus enhancing or replacing his personal constructs of key issues - this ‘bringing forward experience’ was greatly facilitated by the researcher identifying and offering alternative worldviews and perspectives of self and others: and is evidenced within the case by the owner manager’s progressive approximation and re-approximation of his personal constructs and the gradual changes in FLP business behaviour which this produced (such owner manager and FLP learning and development progression is also captured in the base documentation file in the form of the reflexive journal and strategic analysis documentation)
Understanding that within such an adverse and unknowable external environment a messy, intertwined discovery, choice and action (rather than rational sequential step process) strategic management process which relies upon	The totally hostile nature of the external economic and market sub environments required strategic analysis, choice and implementation which shuffled between partial discovery and subsequent action to facilitate deeper

significant experiment and try out became a natural and only workable strategic management process for FLP – but, possibly more importantly, that even with the additional resource and expertise help of the academic researcher, such management process and integral experiment and try out remained the only workable management mode (not least at the stage of implementation of identified strategic development paths	discovery – trial and error and try out was essential to pave the development path way forward. The case study captures this portrays this process and the incremental build up of understanding is captured in the strategic analysis documentation and in the email and reflexive journal recorded implementation to-ing and fro-ing activities between the owner manager, academic researcher and ICT provider
Understanding of the key role of short interval control in facilitating owner manager ‘big picture’ strategic thinking and learning - though constrained by the nature of the business, a combination of FLP tight control and efficient day to day running of operation facilitate owner manager learning about the wider strategic development context of the business	Examination of company documentation, observation and the process of partnership working made clear the efficient manner in which FLP is run on a day to day basis – and how this was the only way that the owner manager could find ‘slack’ in his working day to allocate time and energy to issues of strategic development of the business. This is evidenced by the physical shift toward a new business model which saw ongoing day to day office and court appearance work strands effectively continue in parallel to the owner manager partnership working on the new strategic analysis and implementation (and the experimenting and try out of activities which this process entailed).
Practical operational and strategic outputs to facilitate design and implementation of a new mediation service-oriented business model and associate enhanced day to day effectiveness of FLP	An appendix filed flexible strategic development frame and practical implementation of owner manager selected options within than development frame, including an FLP web-based holistic service provision and an online mediation service represent the practical outputs of this action research study - all of this pragmatic outputs are at time of writing being utilised in practice by the owner manager
Academic outputs –are being applied immediately to inform small business development practice (including ongoing interface and partnership working with FLP); and academic teachings by the researcher	Written up full context case study of FLP; and enhanced small business strategic management knowledge base – as with the Hoxton Beach study, including as ‘low level theory’ in the form of ‘guiding lenses frames of reference’ which owner managers (and students of small business management) are already ‘trying on for size’ in terms of potential for enhancing their existing personal constructs and/or facilitating their strategic learning capability. Ongoing partnership working with the FLP owner manager (post this project) provides supporting evidence of the bridging of the worlds of academia and small business management practice effected by this study



## 5.8 Chapter Conclusion

This chapter has presented the action research produced outputs relating to the strategic development of The Family Law Practice.

The personal construct theory-driven research process facilitated the unfolding of in-depth understanding of the effective start-up, development and intervening 'stutter period' of a successful small law sector firm. The multi-level contextual analysis approach captured overview insight of the historical development path of the business through to deep understanding of current strategic position. The changing nature of FLP's extremely hostile and constraining operating environment was highlighted and the ways in which the owner manager responded to this were considered - in particular with regard to the management of unfolding negative apprehension and anxiety emotions and the anchoring-in of those emotions to direct positive strategic thinking and the unfolding of understanding of potential new areas of strategic behaviour and development of the firm. The strategic development analysis which captured this understanding was here presented as a 'contextual whole' small business development knowledge-base.

The analytical approach in unfolding this insight provided practical outputs for the working partner small business in terms of a documented strategic development analysis with integral identification of areas of potential operational improvement and opportunities for strategic development. These areas of operational and strategic improvement were then incorporated into a 'Strategic Development Frame' capable of guiding and informing the owner manager in their operationalisation. The strategic development analysis in its own right and the summary 'strategic development frame', design of which that strategic development analysis facilitated, represent the base practical outputs of the study.

Implementation of the core strategic development options and activities produced by that guiding development frame, the FLP web-based holistic service provision and the online mediation service, represent actual business growth-driving practical outputs of the study. Over the period of this action research study FLP turnover has grown approximately 30%, this following a prolonged period of sales stagnation. Whilst not by any means laying sole claim to credit for that increase in turnover, it is likely that the support input provided by this study made positive contribution to that not insignificant improvement in business performance.

Once again, integral to the action research process and the practical outputs that it produced was the build-up of understanding of the FLP owner manager strategy development and strategic management processes which alongside the Hoxton Beach outputs has led to 'new conceptualisation' - 'low level theory' study outputs with regard to what constitutes 'best and good small strategic management practice' and how this challenges traditional or orthodox theorising of small business strategy development. This forms the focus of further assessment and analysis in the following chapter 6 when the insight for this FLP component of the overall study is synthesised with strategy development understanding revealed in the action research of Hoxton Beach.

## **Chapter 6: Towards an Innovative Conceptualisation of Small Business**

### **Strategic Management**

#### **6.1 Introduction**

This chapter presents integrated analysis and synthesis of insight unfolded from the action research component of this study, key dimensions of current relevant understanding within the small business development literature and existing perspectives embedded within this researcher's personal constructs which have progressively developed over time as a result of the ongoing experience of and working with growth achieving small firms to elaborate an innovative conceptualisation of the small business strategic management process and integral sub-processes and actions.

The chapter commences with consideration of the impact of the external business context and of owner manager 'start point' in terms of abilities, experience and orientations on the nature and form of early days strategic management approaches adopted by a small business. The role of owner manager emotional competence within the small firm strategic learning process is then given specific attention before proceeding to focus on the various dimensions that constitute good small business strategy as practice - integral to this focus is the introduction of the notion of the natural 'make-up' of small business and how this make-up can be managed to facilitate good strategy practices. The chapter concludes with the elaboration of an innovative 'for use in practice' conceptualisation of small business strategic management practice.

### **6.1.2 The Impact of External Context**

The external context in which a small business is striving to start-up and/or progressively grow of course impacts significantly upon what constitutes an appropriate competitive strategy - but that external context is also instrumental upon the nature and form of the actual strategy development process undertaken by the small business to determine or unfold its selected strategy.

With regard to strategy form it has been well-documented how businesses need to be aware of the competitive structure of the industry in which they are operating (Porter 1980) in order to build understanding of the competitive posture they can adopt. However, the nature of the external environment in its totality in which a small business is striving to operate constantly throws up expected and unexpected situations of varying forms and degrees of change intensity which sees the management task of gaining adequate understanding of the marketplace and what may be appropriate competitive stance therein a highly complex process (Wyer and Mason (1998).

The interplay of economic, market and competitive sub-environments and knock on effects of varied and often unanticipated responses of key actors within these sub environments produces a modern-day operating context made up of different change situations, most of which are totally unknowable and unpredictable in terms of timing and consequences (Stacey 1990). Such context is a key determinant of what form of strategic management process and integral forms of management sub-processes, actions, activities are workable in small business practice.

It could be argued that in broad terms, businesses faced with relatively static key strands of external environment may find orientation toward a more rational long term planning mode

of strategic management workable in the short term. But even the short term is susceptible to unexpected change and any business attempting rational modes of strategic management are likely to struggle and at best tread water; and if seeking concerted development and growth will be nudged or forced, if they have the propensity and underlying ability to so do, into a more creative mode of strategy development - a situation supported by the change in owner manager management approach within FLP.

Moreover, in many instances it is likely that the culture of the industry and its embedded mind-sets of the 'way we do things round here' makes significant contribution to forms of strategic management attempted by a business - or at least, as is considered further in the following sub-section, by new start-ups who are bringing with them their past working experience of operating within an industry. The rational, procedural underpinnings of the legal sector is a case in point within this study.

### **6.1.3 Owner Manager Starting Point**

At business pre-start and start-up stages the Family Law Practice owner manager was commencing from a starting point of experienced solicitor who was already conversant with his legal area of expertise and its delivery to the general public. And was therefore already steeped in and conditioned by his familiarity with the legal sector and its associate mind-sets, routines, modes and sub-cultures - both from his training and his successful practice within the sector. It is thus natural that his own mind-set would continue to be informed and conditioned by such industry context - which in this instance was predominantly one of orientation around rational, proceduralism.

With regard to Hoxton Beach, the owner manager starting point was one of relatively blank canvas. He had no previous experience of the food sector, though was obviously informed

by his anecdotal and personal experience-formed perspectives of fast food and restaurant eating out - and of emerging consumer trends with regard to food and eating, such as orientation toward healthy eating and the messages from health education in this respect. The nature of his previous degree level education and career passages to date also contributed to a creative orientation in his thinking modes.

Hoxton Beach thus unfolded from a start point of highly creative thinking mode whereby the owner manager was identifying, self-brainstorming and thinking through streams of ideas. He effectively loosened his existing personal constructs shifting thinking from 'food' as an everyday enjoyment and sustenance experience to a potential commercial business oriented provision - and underpinned by development of a far-flung geographically and culturally-situated product into a healthy fast food provision capable of innovatively servicing the multi-cultural UK. Unlike many individuals the Hoxton Beach owner manager was able to conduct early stage 'mumblings' of personal construct change (Fransela 2003) through his observations and unfolding of own strands of creative ideas and shift those mumblings on toward tightening by taking on board the ideas and worldviews of others and ultimate test-tube proportions try out and experiment.

Thus, early stages strategic management and strategy development was immediately underpinned by generative, creative thinking (de Wit and Meyer 1998) to produce the seeds of a business idea - the yoking of the strands of ideas regarding a potential business, product and service delivery form; a mental formulation of how this initial overall form of strands may be put into place and tried out; thinking through as an experimental form market stall provision (to gain insight as soon as possible as to receptiveness of target customer base and potential viability); using success (or otherwise) as feedback to adjust or confirm owner

manger personal construction of the business idea in its totality and with regard to its component parts; observing existing competitor offerings and responses (including healthy fast food and non-healthy fast food provision).

Of course, a certain amount of rational thinking streams through the Hoxton Beach owner managers progression of his ideas - rational thinking in terms of build-up of insight into the nature of the full value chain process and associate resource needs: clarifying particular unfolding problems (or anticipating a problem); searching for and identifying solutions; implementing a selected response - but this still often involved untidy try out of solution or trial and error.

The Family Law Practice owner manger started in a more rational thinking mode. Over time he built up perspective of developing from an employed solicitor with high level experience of working for others into the potential for offering own legal services provision through a small private law practice. Thus, the starting point was one of: (a) full understanding of the 'product-service' form and the nature of the legal service provision processes; and (b) the need to work through the nature and form of underpinning business management processes to facilitate own business delivery of his existing expertise.

The external environment, although far from static, had key relatively static dimensions which were facilitating to the owner manager's new business: (a) the existence of legal aid support provision as a key existing government funded market niche to be seized upon- and owner manager full understanding of this niche and its workings; (b) a customer base within that market niche that is 'wanting' of expert advice and help that is essentially only available from the solicitor sector; (c) the potential customer partial-support alternative (mediation service) being at that time underdeveloped - and predominantly perceived by the legal

sector in income earning terms as detrimental or second choice, and thus fuelling perpetuation of a non-mediation culture.

Thus, the nature of the external environment context of a particular small business and owner manager starting point in terms of previous education, experience and 'conditioning' interact to contrive toward likely form and nature of strategic management processes undertaken within the business at start-up and how the strategy will unfold.

For both small businesses within this study the kick-start eventually leads to some degree of 'more of the same' predetermined ongoing development path-type growth - but in significantly different ways. For FLP, this is straight away; and into the first few years of development. For Hoxton Beach, this is after some time of learned, unfolded, emerged 'mix' of business provision and delivery mode forms - an eventual settling in to a core form of provision: but even then always 'nudging on' and looking for new business development ideas.

For FLP, a predominant early years rational strategic management oriented approach was eventually nudged away by: (a) external change in the form of the financial crash and resultant recession and government spending cuts which incorporated significant reductions in legal aid; (b) owner manager concern and anxiety about the above - in the context of already stagnating business turnover (following a number of years of progressive sales increase and stability); (c) the impact of (a) and (b) on the up-to-that-point clamped-in 'dormant' creative thinking capability of the owner manager.

Thus, on the one hand, a more generative, creative thinking mode of strategic management was 'forced' on the FLP owner manager. And on the other hand this mode of thinking was



released from the constraints of rational thinking oriented parameters related to the legal sector and law service provision form of 'animal' which the owner manager had become: constraints surrounding law sector rational procedure; legal aid support comfort zone; effectiveness to that point of a 'more of the same' product-service focus and provision. And those constraints embedded in the day-to-day pressures of running one's own business - confines relating to time and energy.

*Key PCT- Interpreted Issues in the Analysis to Date - as Base Assumptions*

- Both the Hoxton Beach and FLP owner managers moved into, or arguably were both in from the start, a predominantly man the 'good scientist' mode of personal development
- Not all people, and thus not all owner managers, are 'good scientists' - or potentially good scientists. Some are poor scientists. It also follows that even the more successful of owner managers are likely to interchange between episodes of 'good' scientist-based management and business development and 'poor' or 'mediocre' (Harri-Augstein 1995)– in general, small businesses do not constantly grow (Wyer and Smallbone 2012): they peak and plateau; peak and trough (for a variety of reasons - considered in more detail below)
- Even when the FLP owner manager was in a predominantly rational thinking mode of development , he was undertaking sound 'in the existing box' thinking - and able to 'define' (adjust at the margins) his existing law service provision personal constructs (probably in parts to a point of marginal creative adjustment of his previous experience-based views of law service provision into a final form that he wanted to offer)

- If the FLP owner manager had been a 'poor scientist' he would have continued to have perpetuated in the 'more of the same' mode when he needed to become more creative
- Drawing on Harri-Augstein (1995): Many people are ongoing poor scientist, and thus remain in an ongoing 'going round in their current boxes of thinking' and their personal development is severely impoverished as a result - this may be due to issues such as laziness; lack of time; lack of energy; worry over other issues; low mental capability; or a 'slug it along' mentality of 'I am not that bright and this is as good as it gets'
- Thus, many people often subconsciously continue through life with their same limited views of the world - using what can be considered impoverished personal constructs (Kelly 1955/71) to inform their behaviour (they are 'in a rut' and are staying there)
- And so it is likely to be with small business management and development; many small firms will:
  - 'tick-over' conducting more of the same
  - If external environment conditions remain (or comeback from time to time to conducive) the owner manager continues to make a living (or if lucky a bit more)
  - If external conditions change, the business may be able to 'drag along the bottom' - or will go under
- Often such owner managers have no real perception of strategic direction of the business, other than 'more of the same'. And no inclination to identify or derive understanding of the breadth of external change forces which have implications for

their business - let alone being able to detect any change or work through implications of that change for their business

- Rational long-term planning modes, if perpetuated, will not facilitate creative thinking (Wyer, Donohoe and Mathews 2010) or adequate identification and working through of unfolding change situations:
  - An owner manager would be using existing 'in the box' personal constructs to identify and interpret arising change situations
  - Would rely on information from the recent past and present to inform behaviour into an unknowable future
  - Would not have the time or experience to conduct full SWOT analysis (which anyway cannot capture open-ended change situations)
  - SWOT assumes past and present strengths and abilities are appropriate for new and different business development paths and projects - they will not be
- FLP owner manager was able to and had to kick-out of this rational thinking to more creative thinking and personal construct loosening (Fransella 2003)
- Hoxton Beach owner manager creative thinking through to innovative activity underlines how creativity is the 'front end' element of a full length innovation process -and small business creativity and innovation does not have to be totally new to society: it can be new to a particular business and involve creatively putting together the strands of others views and activities to develop an innovative new business development strand (Wyer, Donohoe and Mathews 2010)

## **6.2 The Role of Emotions and Emotional Competence with Small Firm Strategic Learning**

The above base assumptions provide key foundation for elaboration of innovative conceptualisation of small business strategy development processes - and detailed consideration of the learning and development processes of both the Hoxton Beach and FLP owner managers draw attention to the particular role of emotions in their challenging of, and bringing about adjustment in, their existing personal constructs. Thus

- The role of emotions and their management and utilisation is a key integral to progressive owner managers successfully driving their businesses forward in the face of an unknowable external change environment -understanding of the contribution of owner manager emotional competences in their strategic learning process is a key facilitator to effective conceptualisation to guide 'best small business strategic management practice'
- In this respect , sound interpretative frame of reference within this study builds out of the following assumptions embedded in the work of Baumeister et al (2007):
  - Negative emotions suggest a person's behaviour was unsuccessful and that his 'if-then' rules need revision - and a new 'if-then' rule will guide future behaviour
  - The more intense the emotional state, the more cognitive reflection that emotion is likely to stimulate (Bannister 1971)
  - Negative or bad emotions follow-on from failure or from unacceptable outcomes in a situation and are likely to promote detail-oriented processing
  - Moreover, emotion also contributes to learning from externally-generated information - by focusing attention on those strands of information that are

important to the individual and initiating cognitive process thereon. And filtering-out less important information that doesn't generate emotional response (Baron 2008)

- So, all human conscious emotion shapes behaviour, in the main not directly, but via its influence on cognitive processing
- Thus the above also provides 'understanding context' for exploring the nature and level of an individual's emotional intelligence and competences

FLP owner manager emotions stimulated cognitive reflection and processing with regard to unacceptable plateauing of turnover of the business and the need to revise his existing 'if-then' rules (personal constructs). His emotions of concern and anxiety focussed his attention on those strands of external information that are relevant: recession; government spending cuts on legal aid support; factors impacting plateau; an alternative development focus of mediation - emotions thus contributing to learning from externally-generated information, and filtering out of less relevant (Baron 2008).

FLP owner manager, Andrew, made sound progress with this re-think and the re-approximating of existing personal constructs and early stages development of new alternative personal constructions. But as part of this construing he recognised that he needed help and benefitted from the strategic analysis integral to the action research project at the centre of this study.

The negative emotions were managed by Andrew so that: (a) he could himself cognitively process and learn - he did not let anxiety and concern stop him from positively thinking (Carver 2003). He was able to 'feed-off' his emotions; and read the emotions of others; and (b) he used emotions to shape behaviour in the form of bringing in strategic development help: he was able to recognise the need for strategic and ICT knowledge and help to assist

him re-couch, enhance and/or replace his existing personal constructs - in terms of analysis and some implementation.

The bringing in of this action researcher helped facilitate and speed up Andrew's personal construct learning process and was part of the ways he anchored in negative emotions (recognising the need for understanding-building and implementation learning help).

The crucial importance of owner manager emotional competence in strategic learning is reinforced by consideration that such competence is far from a given within human nature. Not all people can manage negative emotions in terms of getting them to stimulate positive thinking/cognitive processing (Foo et al 2010) - thus, say anxiety, may provide so much concern to a person that he buries his head in the sand and does not deal with a failure or unacceptable outcome situation.

Not all people are capable of identifying relevant external information or building understanding from the information upon which their emotions focus attention on as being relevant. Or their emotions or intellectual ability may misdirect them to a wrong information focus (Groves et al 2011). And the strategic learning and development process thus breaks down: the small business treads water with the owner manager going round 'in the same box of current thinking' or inadequately chasing wrong information in his attempts at 'loose construing'.

Not all owner managers will effectively manage emotions all of the time - thus episodes of positive development (when emotions are effectively anchored); and episode of treading water or decline.

Not all small businesses will progressively develop all of the time - thus, episodes of sound personal construct enhancement and appropriate strategic behaviour (both marginal adjustment: 'definition'; and personal construct replacement: 'extension' Beck 1980); and episodes of non-learning (non personal construct enhancement-Fransella 2003) and status quo in the business (for many reasons: time, energy, owner manager wanting to step back a while for lifestyle adjustment).

Hoxton Beach can be viewed in terms of episodes of ongoing successful development. But some personal construct enhancement was often only partial - the owner manager gets into and beyond 'mumblings' stage of loosened construing: but time, existing workload and schedule, lack of sound organisation, laziness, and positive emotion regarding existing parts of the business reinforcing 'more of the same' behaviour and thereby detracting from creative loosening with regard to other possible development strands of the business all have constrained owner manager effective progression to 'tightened construing' of new areas of business development. And thus integral to this it has been both positive and negative emotions which have constrained areas of Hoxton Beach development.

It thus follows that there is thus a huge role in the explanation of effective small business strategy development processes and strategic management for the associate concept of emotional intelligence and emotional competences (Mayer et al 2008; Hess et al 2011). Insight relating to the development of Hoxton Beach in particular highlights how owner managers with strong emotional competences will better manage the entire process of negative emotions (a) stimulating cognitive processing; (b) directing identification of relevant external information (filtering out non-relevant); (c) obtaining the information and learning from key informants; (d) processes of 'loosened personal construction; (e) new

personal construct forming; (f) test and experiment of the new personal construct: and (g) confirmation or disconfirmation of the construct - bringing the process full circle back to the unfolding of new positive or negative emotions.

Indicative examples of this are Hoxton Beach owner manager effective management of his own negative emotions, in the form for instance of fear of failure and associate concern which have been used to kick-start strands of his cognitive processing with regard to new business development form or attention to improvement to deficiencies in existing areas of strategic focus or operations. And managing the emotions of others (Salovey and Grewal 2005) - for example, in interfacing with and learning from key informants; bringing on board other staff members to his newly emerging personal construct of a different business development strand; or effective politicking to win others, such as market managers, to the Hoxton Beach way of thinking and intended progression.

Similarly, the FLP owner manager was nudged by an unfolding emotional state of apprehension and anxiety regarding slowdown in sales turnover and an increasingly adverse operating environment into 'deep thinking' reconsideration of the focal activity of the business and its delivery modes and his business-life style balance. Sound self management of emotions facilitated strategic thinking and ultimate change in strategic business behaviour.

Importantly, however, just because negative emotions are here viewed as kick-starting cognitive processing and new 'if-then' personal construct-building, it does not mean the emotions go away in the full (emotion-embedded) renewing process. The initial emotions will probably endure (at least for a while); and the emerging personal construct will be



tested out in pieces as the learning progresses - and sometimes the (partial) personal construct will not be confirmed: and new negative emotions will emerge.

All through this process the owner manager will have to manage his own emotions (via his emotional competences) and the emotions of others who 'take part' or are 'drawn in' or 'utilised in' this renewing process.

### **6.3 Toward a Rigorous 'for use in Practice' Conceptualisation of Small Business Strategic Management**

#### **6.3.1 Dismissing the 'to somewhere' Perspective of Strategic Management**

Notwithstanding the very different start-point contexts of Hoxton Beach and FLP, the focal commonality to which both businesses have evolved is the current 'learn one's way along' underpinnings of dealing with the external change environment and effecting appropriate strategic adjustment. The Hoxton Beach owner manager has, of course, adopted this orientation from the very outset whilst the FLP proprietor has been gradually nudged into this mode by unfolding change circumstances.

In many ways this strategy development form approximates the conceptualisation of strategic management portrayed by Stacey (1990) in his portrayal of what constitutes dynamic business planning in practice. For him 'the reality of strategic management is not a journey along a predetermined path to *somewhere* (emphasis added) as conventional strategic management would have it because in today's world that somewhere cannot be known. What strategic management is trying to achieve in reality is an opportunistic journey from *somewhere* and that somewhere is known, it is the existing business'.

Such conceptualisation sees Stacey placing the existing boundaries of the business 'as now' as focus for learning and development attention. With those boundaries incorporating '*an existing area of operation* - the present market in which the company operates and the technology it employs; *an existing set of values* which condition the operation and management of the company in the marketplace; *at least some direction* which is created by the momentum of the existing business (it cannot be changed overnight and carries the company forward into the future ) and *an existing total control system* which is being utilised to accommodate the impact of change on the business)' (Stacey 1990).

Whilst within such a conceptualisation Stacey appears to be considering strategic management within a large company context, in many ways it does capture the essence of the small business management form unfolding within Hoxton Beach in terms of a *from somewhere* strategic management orientation with learning focus upon the parameters of the current business - and with regard to the nurturing of forward travel of the business in terms of progressive development and of how such forward 'direction' should be regarded. 'The direction of a company in reality is a dynamic, organic development from where it is now by a process of testing the boundaries of the business, conducting experiments , trial and error and behaving entrepreneurially and opportunistically' (Stacey 1990). Sustainable, profitable forward travel is thus facilitated by testing the firm's existing boundaries by continually experimenting with new opportunities and solutions to problems.

Integral to such conceptualisation is acceptance that any business which is attempting to progress in totally unknown waters cannot know what its existing area of operation, guiding values, direction or control system will be in 3,5 or 10 years time because the future is one of absolute uncertainty, totally unknowable. Company direction exists but 'it is simply from

somewhere rather than to somewhere and you do not where you will end up' (Stacey 1990). A company can look back and in retrospect explain the form of ultimate direction in which it has travelled (the existing areas of business activity and evolved values and control processes) as being the result of the experiments that it conducted and ultimately backed with resources.

Such an approach epitomises how both Hoxton Beach and FLP currently deal with the future - they are feeling and nudging their way forward through 'try out' and experimentation in a process of adaptive learning. A dynamic and practical process, toward which the FLP owner manager has evolved in the face of the incontinence of the static more traditionally oriented strategic management form he tended toward in the early period of the firm. And an approach which is theoretically as well as practically justified and emphasised within this study -in personal construct theory terms owner manager developing and testing of his new (or adjusting of his existing) personal constructs of the business through experimentation is a natural way of dealing with change and uncertainty that he faces: the natural way of driving the business into the future 'from the somewhere' (the existing business form). And such an adaptive learning process provides the base strap of the 'guide-to-good-practice' small business strategic management conceptualisation which this section strives to develop.

#### **6.4 Strategy Practice: 'Best Practice' Owner Manager Behaviours, Actions and Activities within the Strategic Learning and Development Process**

##### **(i) Overview**

Stacey (1990) is suggesting that in reality successful managers 'detect change and develop implicit, dynamic strategic issues agendas; they respond to those issues in an experimental way and they build strategies on single issue responses when they have generated enough confidence from the experiment. Periodically they review the implicit agenda, making it explicit at a point in time; they review existing areas of operation, values and control systems in the light of change'. Whilst arguably large company oriented, to a great extent this portrayal does capture the essence of what Hoxton Beach and FLP do, or should do. The essence, but not the detail - not least in that Stacey's work does not, and nor was it his intention to, address the issue of the idiosyncrasies of small business management actions and processes and of associate size and owner manager related characteristics and constraints which facilitate or provide hurdles to small business development (Wyer 1990; Wyer, Mason and Theodorakopoulos (2000). Within this section the issues of what constitutes 'best practice' management activities and actions which drive the small business strategic management adaptive learning process and constraints which may prevent or restrain effective undertaking of those management actions are considered - drawing on key management practice strengths and weaknesses identified within the Hoxton Beach and Family Law Practice studies. To a great extent this component of the conceptualisation of small business strategic management is putting a microscope over the ways in which owner managers do (or can) 'behave entrepreneurially and opportunistically' in their achievement of organic development through testing the boundaries of the business, conducting experiments , trial and error and resourcing of those experiments deemed worthy of backing. And what may hold them back from such effective behaviour.

**(ii) Overarching Owner Manager Creativity Capability**

We have already seen, through the utilisation of the PCT creativity cycle as interpretative aid, that owner manager creative and generative thinking has been the key factor in Hoxton Beach's progressive build up of innovative strands of strategic development: an innovative new-to-the-UK market 'fast healthy food'; a unique balanced mix of service delivery modes and an underpinning unique and differentiated strategic posture in the marketplace. In overview terms achieving this strategic development has required owner manager ability to 'loosen existing personal constructions' surrounding such as his perceptions of the product (falafel) and its provision in its traditional homeland cultural setting; fast food forms in this country; unfolding consumer perspectives toward and health, fitness and healthy eating and the pending impact on food and meals purchase (and on business start-up and development) of an erupting financial crash and economic recession. Within FLP we saw the owner manager eventually 'unfreezing' his existing personal constructions of the legal sector in which he operated and the ways his business was serving customer bases within that sector. Such loosening of existing personal constructs frees up the emergence of seeds of new ideas and facilitates the yoking of these ideas in such a manner that the owner manager begins to surpass a first stage creativity development of 'mumblings' toward personal construct tightening via experimentation through practical try out application of a strand of innovative business idea: with such experiment providing positive as anticipated outcomes (and resultant confidence to stick with the business strand through resource backing); or some areas of negative output which triggers rethink, adjustment or total jettison of the idea.

Personal construct theory captures the key parameters as overview of the process-form a small business entrepreneur must facilitate and manage to effectively deal with an

uncertain and unknowable external operating environment in a creative manner -a manner which nurtures front end creativity into an ultimate full small business innovation process (owner manager successfully progressing beyond initial 'in his mind mumblings' to 'fully-fledged' practical business application). Here then we have overview of creativity to innovation process - but not the 'flesh-on-the-bones' integral owner manager cognitive and behavioural sub-processes and activities which make up and facilitate that adaptive learning process. It is such detail that the following sub-sections address.

**(iii) Practical Owner Manager Cognition and Behaviour as Antithesis of Large Company Activities**

The sources and mechanisms integral to small business management activities and actions which facilitate detection and understanding of change, associate opportunity seizing and solving of problems which feed strategy development differ considerably within small firms vis-a-vis what large companies do. Whether in circumstances of economic turmoil or periods of relative stability many large companies employ experienced economists to try to make sense of unfolding impact on the organisation, teams of statisticians and quantitative analysts to 'crunch the numbers' and trained psychologists and marketers to interpret changes in consumer behaviour and pinpoint competitor activity and their responses to the change environment. For many large companies that unfolding base of quantitative and qualitative insight may take place within or be forced into rational planning modes of strategic management process with an associate danger of nudging continuous 'existing in the box thinking' and in so doing squeeze out generative, creative thinking (de Wit and Meyer, 2004). But of course, the more creative 'from somewhere' mode of adaptive learning forms of strategy development discussed above counter the utility of such

traditional, rational modes of strategic management and were anyway presented by Stacey as what successful large companies do in reality. Thus for many progressive large companies the high level expert and resource inputs of economists, psychologists and the like, as well as traditional day-to-day functional managers who direct and lead such as production and financial control, unfold insight which feeds creative interpretation of external change and creativity in areas such as new product and market development. Successful companies are able to, and do, create space and slack to identify and act upon the unknowable open ended change situations (Stacey 1990, 1991) which predominate the contemporary business environment. And the managers that staff the company must still, if the theory base of this researcher's conceptualising is to remain consistent, be considered as 'man the scientist' who is constantly looking to approximate and re-approximate his personal constructs - in the workspace for the good of the company. Those managers who are 'very good man the scientist' will unfold cutting-edge creative thinking and in the very good company will have been given the space to so do: including being fed with streams of insight and understanding from the expert base and others employed by the company, alongside his own efforts at information and understanding finding. That large company 'good man the scientist' will undertake his own creative personal construing from a benefit point of high level resource and expertise support - with 'space and slack' to creatively think and work both alone and in interface and brainstorming-type meeting with his other well resourced and expert support-fed colleagues. He can and will learn and develop through personal construing and through interactive construing with colleagues. He will at times alone produce and work up the seeds of new ideas toward creative organisational development; and on occasions work toward more 'social personal construction' deriving commonality of perspective with a colleague or colleagues. Such learning activity at its most refined is

reflected in billion pound spends by successful market leading organisations on Research and Development (R&D), some in small teams some in departmental form. In many ways small business best practice involves antithesis of such learning behaviour - with a most exaggerated conceptualisation positing a successful owner manager as 'pivotal expert' in the firm, able to behave as if wearing the 'multi-hat' of economist, marketer, financier and so on (or at least being able to find and learn from key informants who themselves wear individual hats of specific areas of expertise and understanding).

**(iv) 'Flesh on the Bones' Finer Detail of 'Best Small Business Strategic Learning and Development Practice'**

The effectiveness of personal construct theory as drive motor to this study promotes its similar use as key driver in this strategic management conceptualisation attempt. As such the pivotal owner manager is posited as 'man the scientist' and as a person of unitary whole: not dual positioned individual with twofold separate inner makeup as 'reasoning' person and 'feeling' person. But one whose construing envelops cognition, behaviour and emotions - PCT as a theory of the whole person. As such the elaboration of 'best small business practice' which facilitates the owner manager personal construing in the underpinning of the adaptive learning-based strategic management process derives out of understanding of emotional, cognitive and behavioural dimensions of personal construction..

Recognition of personal construing as potentially an integrated three-dimensional whole provides a robust vehicle for identifying in micro detail the nature of owner manager strategic learning and development management actions, activities and abilities.



If the external change environment is so uncertain and frequently hostile and if the small business must proceed from an operating base of limited resources and narrow expertise just what are the forms of 'best management practice' which make up strategic management in successfully growing small businesses which should be captured in a conceptualisation of small business strategic management - to produce a conceptualisation that can, on the one hand, effectively inform small business practice and on the other hand lay the foundation for ongoing research into and enhancement of the current understanding and perspectives that make up the conceptualisation. The aim here is not to simply repeat descriptive analysis of those management practices and approaches which have been shown in the case studies to have driven the successful development of Hoxton Beach and FLP, rather to draw on and integrate that insight with relevant existing supporting strands of literature-based small business development understanding to arrive at a sub-frame of best strategic management practices.

The approach that follows builds forward from a commencing point of addressing the issue of *identification of unfolding external change and determination of its relevancy* to the small business.

*Boundaries of the business as focal frame:* Utilisation of the 'from somewhere' (as opposed to the 'to somewhere') mode of strategic management highlights how the 'boundaries of the business' are the focal frame of reference for ongoing learning and development. Thus, the relevance of any unfolding external change or potential future change which is currently being flagged up by, say, government, is assessed by progressive owner managers such as Patrick within Hoxton Beach in terms of potential impact upon the existing core markets, products and processes. Owner manager current mentally-held frame of understanding of

the existing business, integral values, intended business direction and the ways external change forces appear to be impacting the business ( or may in the future) is utilised by the owner manger as focal vehicle for learning the business forward.

*Emotions as guide to specific focus:* Moreover, levels of emotional competence play a key role in this respect. For instance, owner manager emotional state which has unfolded, say in response to receipt of basic news as to an intended government policy change (such as the FLP owner manager initial hearing of intention to reduce or remove legal aid support) acts as a filter on which area of the boundaries of the business the owner manager should concentrate on and which associate strands of externally-generated information to focus on to effectively enhance understanding. Attuned emotional competence is needed however in order to effectively recognise one's own emotional state and be able to control and appropriately manage it. 'All information to the brain comes through our senses and when this information is overwhelmingly stressful or emotional, instinct will take over and our ability to act will be limited to flight, fright or freeze responses. Therefore to have access to the wide range of choices and the ability to make good decisions we need to be able to bring our emotions into balance at will' (Mayer et al 2008). Emotional competences of self-awareness, including recognising own emotions and how they impact one's thought and behaviour, and of self-management including ability to control impulsive feelings and behaviour, are indicative capabilities which define how successful, stress-containing owner managers receive news of external change and determine in timely fashion its relevance in terms of opportunity or problem to their business. Lack of such emotional management capability takes away a key source of competitive edge available to the small business: conscious use of emotions as trigger to cognitive reasoning and ultimate determination of

appropriate behaviour in the form of operational and strategic adjustment or new development - and integral to this narrowing down of owner manager focus on externally-generated information which is relevant to the business (Cherniss 2004; Hess et al 2011). Owner managers without this emotional awareness capability are more likely to stress up, on receipt of news of impending external change and to flounder around in an ocean of information. This issue of owner manager emotional competences runs through the entire process of small business strategic learning and management and is further captured in the remaining sections.

*Effective use of 'direct' and 'indirect' key informants:* Comprehensive external audit and environmental analysis is out of the grasp of the resource and expertise strapped small business. Emotions and their management can help steer the owner manager toward more manageable, relevant 'slices' of the environment and information and understanding thereof. But the issue of the actual process of owner manager build up of required information, insight and understanding needs further consideration. A wide body of excellent literature on the role and benefits of networking (for example, Shaw 2002) as an effective small business development vehicle sheds key light in this respect. The study of Hoxton Beach and FLP supports and extends such perspectives. Best practice use of small business learning sources involves concerted use of expertise and information holders on the boundaries of the firm's activities. Progressive owner managers make planned use of individuals who they feel may hold insight and knowledge which can help them in their business, for example pre-arranged meeting with a Business Link staff expert. But they also milk accidental encounters - such as coming across a tax officer at a social gathering; or an international trade advisor at a non-business event meeting.

Certainly many owner managers are now signing up to formal networking groups and are even encouraged to develop planned schedules to capture x number of business contacts per month. Perspective here regarding such formalised networking is that every little helps and that much business is won by networking of both informal and 'in the pub' types. The central 'best small business management' characteristic being advocated here, however, is the ways in which owner managers can and do learn from key informants inside and outside of formal networks - and how this best practice can and is ingrained into every day-to-day activity that the small business does. They struggle to attempt, and in the main do not attempt at all, comprehensive external audit and/or follow-on SWOT analysis. But good small businesses constantly strive to learn about relevant external change and in a wide array of ways and methods: including key informant insight which is 'direct' physical face-to-face and 'indirect' via the written and recorded word.

Indicative strands of such day-to-day activity best practice learning includes: the owner manager learning from telephone interface with a supplier regarding changes in competitor product form; a key staff member learning about more effective and cheaper delivery modes from visit to a distributor; owner manager discovery of changing consumer needs and tastes whilst working with the customer on scheduling issues in his factory; and owner manager and key staff member building better understanding about constraints served up by the recession from one of their subcontractors who had already experienced the difficulty first hand. 'Indirect' key informant sourced learning includes casual read or careful study of key informant inputs embedded within such as industry and market reports, economic analysis, online information trawl, economy progress reviews and daily newspaper and television snippets.

A key message within this section of analysis is supportive of the findings of Wyre and Barrett (2004) and Wyer, Choong and Barrett (2003). Small business 'networking' extends far beyond contact-making and contact leading to sale. A major strand of that networking is learning interfaces with key informants within the boundaries of the small firm's activities. And those interfaces may be intended, planned, accidental or opportunistic. With opportunity for such network interface key informant learning processes frequently embedded and subsumed in the day to day routines and activities of the business. And within all staff members who conduct those activities, owner manager and key staff. Where Wyer and Barrett (2004) fall short in their analysis is upon the 'flesh on the bones' detail of the particular owner manager and staff dialogical learning which they point out drives the key informant interfaces. This is addressed in the following sub-section.

*Conducting of effective dialogical learning:* Making key informant contact and interface is a major component of effective small firm strategic management. But extending this interface to effective small business learning process requires specific owner manager abilities. As Wyer and Barrett (2004) emphasise in their use of PCT in investigating small business development and a point already emphasised within this study, effective interface with key informants requires ability to 'get inside the personal constructs of the other'. Wyer and Barrett (2004) scout around this ability. Within this section this study puts flesh onto the bones of that scouting around. The Hoxton Beach owner manager relied on numerous strands of key informant interface and learning interaction to firstly develop initial insight and understanding of the falafel product form and delivery in its culture and country of origin and then with regard to its commercial potential in England. Intertwinement of owner manager observation, his own experiences with consumption of the product and key

informant insight fed the early stage learning process of personal construct loose construing and 'mumblings'. In these early stages getting the best out of key informants required particular emotional competences of a personal and social competences nature - but probably applied at a somewhat surface level. A level of self-awareness recognising and managing his own emotions: putting a cap on positive emotions to ensure he built sound insight around the initial seeds of a business idea and not letting excitement and enthusiasm cloud his thinking; and drawing on negative emotions to guide information and understanding-build in addressing areas of insight that were unclear or disappointed him. And as his personal construing was progressed additional personal competences of self confidence and initiative showing had to be brought into play alongside social competences relating to the exercising of empathy in interface with key informants who were beginning to input into his fleshing out of initial basic mumblings. By now such emotional competences were requiring much 'deeper' application: rather than initial informing insights, the owner manager was by now having to work hard to build depth of understanding regarding the potential business opportunity in England. For example, getting the best out of key informants involved Patrick, through interchange of dialogue, developing understanding of and genuine interest in the feelings and perspectives of the informants. Such empathising was crucial to extracting relevant informing insight and viewpoints -dialogical learning requires much more than selfish one-way conversation; or milking insight for self whilst showing little interest in the other party to the chat. Instead, for the dialogue to lead to the unfolding of real informing insight requires ability to listen well and to read the emotional responses of the other - including facial expression, change in tone of voice, passion shown in the others conversation strand or expression of desire to change subject.

It is equally apparent that effective dialogical learning is often initiated by high levels of owner manager self confidence with regard to command of the subject matter under discussion - this encouraging the key informant as to genuine interest of the owner manager and thus evoking willingness from the key informant to give of his time and expert opinion. Juxtaposed to this self confidence are additional owner manager emotional competences of initiative taking, for example in terms of picking up on the emotional cues of the informant as foundation for leading and influencing the form and tone of the discussion.

And of course key bedrock of dialogical learning is owner manager competences surrounding trustworthiness and reputation - the dialogical learning process is founded upon trust: an 'I don't trust you' key informant perception will at best facilitate own manager obtaining of only surface insight and at worse a politicking move by the informant in deliberate provision of false or distorted information (Handy 1980).

Thus, for effective dialogical learning as key 'feed-component' to the small business strategic management process, it appears that emotional intelligence and competences are at least as high on an owner manager's capability requirements list as intellectual capability.

*Experimentation as facilitating-component for new strategic activity:* In base terms we are conceptualising small business strategic management best practice as a dynamic, organic development process of adaptive learning within which the owner manager is able to, and does, progressively test the boundaries of the existing business activity to determine potential for improvements to that current activity and potential for strands of new strategic development. The unfolding of insight into such improvement and development potential derives from the best practice learning activities discussed above - but that learning is incomplete until the owner manager has tested his resultant adjusted or new

personal constructs which the learning to date has helped in formulating. The creative owner manager will have unfolded the seed of a business improvement or development idea and begun to firm up this base insight through dialogical and written word learning inputs from direct and indirect key informants and brainstorming and learning interfaces with key staff members. His construing will have been moved from 'loose construction' toward tightening - with the intention of testing out his resultant personal construct of the potential business development through experiment: a test tube proportion 'try out' which will allow him to confirm the validity of his personal construct and subsequently drive the new business development forward as firmed up new strategy development strand.

But the activity of 'test' and 'experiment' is itself a challenging learning and development process - one which takes the owner manager creativity cycle full circle. And small business best practice in this respect is underpinned by key owner manager capabilities. Successful strands of Hoxton Beach development exemplifies. In determining market stall as one feasible and viable delivery mode, base functional management ability was certainly crucial. In terms of 'pre experiment implementation activity', this included careful design of falafel production process and appropriate service process, working through and estimation of financial and physical resources, determination of staffing levels and appropriate people types and skill levels. But integral to these functional management abilities, and which make significant contribution to what constitutes 'experiment design' best management practice, are softer owner management capabilities which once again can be deemed emotional competences. Owner managers may test out their personal constructs (undertake experiment to confirm their constructs), but what is being suggested here is that the experiment and try out which is ultimately conducted needs to be very carefully designed



and developed as solid preparation for actual implementation. The mental idea held by the owner manager has to be converted to physical experiment form for practical try out. And emotional competence capability of a 'best practice' experiment designing owner manager is a key facilitator of that design process (with the experiment, in turn, being a key facilitator of new strategic development activity for the firm).

Indicative Hoxton Beach owner manager emotional competence in this respect included leadership capability in terms of getting relatively low pay level and mixed skill workforce to buy into the new business proposition and inspiring them to meet and exceed required levels of product quality and service levels. This latter management activity in turn derived from a very high level of owner manager service orientation capability from the outset - which itself involved further emotional competences to facilitate adequate anticipation, recognition and meeting of customer needs. The design phase of the market stall experiment involved further probe-listen dialogical learning interfaces with potential customers to help firm up appropriateness of intended experimental form of the stall service provision, thereby drawing upon owner manager competences of empathy to sense and draw upon customer feelings and perspectives regarding his new ideas. And the winning of approval from the market providers and managers themselves brought into play owner manager political awareness capabilities in selling to them the viability of a new 'healthy fresh food' provision and that the market stall offering would effectively dovetail into and complement existing business forms within the area - and respond to a 'dormant' customer demand (the product form was totally new to many potential customers - customers who were health conscious but not conversant with the falafel product).

In short, a key component of small business 'best strategic management practice' relates to careful pre-experiment preparation: converting owner mentally-held constructs of a new strand of business development idea into experimental form for subsequent strategic action testing. And high level owner manager emotional competence capability threads through and underpins that experiment preparation stage. And indeed extends through the actual physical implementation stage of experiment. Not least in terms of owner manager communication capability where two-way interaction and openness to negative as well as positive feedback (with and from customers, but also staff and market manager) facilitated progressive ongoing adjustment at the margins of the various dimensions of the experimental market stall provision.

*Strategic control:* Neither the work of Stacey (1990; 1991) nor Wyer (2003 and beyond) gives focus to or captures the importance of owner manager recognition and management of emotions within the strategic management process. Stacey's (1990) conceptualisation of strategic control as three key components of 'discovery', 'choice' and 'action' and their messy intertwined rather than tidy sequential step process (as in the rational planning mode of strategic management) does, however, encapsulate the essence of the personal construct theory-based conceptualisation of strategic management elaborated here. And both Stacey and Wyer's couching of what constitutes business 'direction' sit well with findings in this study. As already considered and drawn upon to inform this study above, Stacey views 'direction' in the context of a 'from somewhere' strategic management form: 'The direction of a company in reality is a dynamic, organic development from where it is now by a process of testing the boundaries of the business, conducting experiments, trial and error and behaving entrepreneurially and opportunistically'. In a small business context, Wyer (2003)

uses the language of 'direction' as pursuit of a mentally-held 'flexible preferred end' - in other words no long term fixed strategic objectives, but in their place a preferred development end point to work the small business toward, given owner manager current levels of understanding of his existing business and nature of the environment as at present. The 'flexible' preferred end relates to the owner manager utilising his entire mental framework of current understanding of business, environment and preferred end as a focal learning frame to facilitate identification and consideration of unfolding change and choice of adjustment to elements of his existing business and/or the preferred end.

When closely considered there is a high level of congruence between Stacey's and Wyer's perspectives of strategic business 'direction' - which is unsurprising since Wyer in his epistemological bootstrapping-informed approach to small business development research has been strongly guided by the work of Stacey, but proceeding through the undertaking of a personal construct theory-based approach and with a specific small business focus.

Indeed, this action research study has been significantly guided by both the work of Stacey and Wyer, and has explicitly utilised the concept of business direction as 'flexible preferred' end in both analysis and couching of advice and outputs to the participant small business owner managers. But at this academic analysis phase of this study in which refined conceptualisation of small business strategic management is being elaborated it is felt that the study findings point to greater potential in drawing on the finer detail of Stacey's treatment of what constitutes direction in business practice (in other words, bring about a researcher re-approximation of his personal construct in this respect by enriching the currently used Wyer's 'preferred end').

Reasoning behind this adjustment is Wyer's underplay of the role of 'current momentum' of the small business from successful development to date as a key determinant of forward and ongoing direction. It can be argued that in its early years FLP *rolled forward* with year on year successful growth from a core of what proved to be (because of the owner managers' incredibly high level knowledge and previous experience of the family law sector) a right or appropriate balance of business focus (markets, products/services and processes activity); and that it is now doing so again. Also argued, it failed for a time to effectively learn its way along and paid for this by an intervening period of plateau sales years - and thus was not adequately undertaking an adaptive process. And, with regard to Hoxton Beach, once having learned itself into an established, viable business form, the business has developed real momentum and roll-forward from a base of high level business success - and continues to develop its forward trajectory through ongoing adaptive learning.

Here in both cases is explicit evidence of a key dimension of Stacey's perspective of what constitutes business 'direction' - the existence of 'momentum'. Indeed, sufficient evidence to prompt draw down of the detail of Stacey's treatment of 'direction' and consider its potential for refinement as key component of this study's small business strategic management conceptualisation.

For Stacey (and indeed Wyer), direction is frequently and inadequately used 'in a futuristic sense of where one is going to'. The world of business practice operates in an environment in which the future is highly uncertain and predominantly unknowable where specific long-term objectives are relatively fruitless. In place of futuristic definitions, Stacey couches direction in terms of three components: clarity, continuity and coherence. For him direction

means: 'moving into the future from an existing area of operation and set of values in a clear specific way, which has continuity and also is coherent' (Stacey, 1990).

It is a business's responses in its market place which determines that it is *moving in a clear specific way*: quality is fitness for function as perceived by the customer base; service levels are high; it uses appropriate processes and technology; it demonstrates understanding of and adherence to expected safety and environmental standards; and it achieves sound levels of performance. Such characteristics see a business having direction because it is clear to customers, workers and other stakeholders just what it is providing for its customers, how it is making such provision and what it stands for. For Stacey a business has direction when 'the existing area of operation is appropriate, the ideology is supportive and widely believed in and it has a clear mission relating to what it is now'.

Stacey's second component of business direction, *continuity of movement* 'means the organisation is backing key activities with resources'. The business demonstrates 'organisational energy and determination to succeed in core activities'. This distinguishes the genuine business from such as the 'get rich quick' merchants who adorn the car boot sale or seller's market one day with their sub standard or pirated goods and are nowhere to be seen the next day, or next week; or the manufacturer who fails to accept return of faulty workmanship goods. The 'continuity of movement' business has instilled confidence in the customer that he will be out there in the marketplace to provide ongoing quality supply of the company offerings and honour any customer misgivings if any instance of non-satisfaction were to arise. And the business intends to remain making such provision as long as profitable demand endures.

Stacey's final dimension of direction relates to the business *moving in a coherent way* by refraining from pursuit of 'a large number of mutually contradictory directions'. Such a business retains focus, with 'a limited number of comprehensible thrusts and positions in the markets'. And 'experiments at the boundaries of the business are not whimsical' - they are well thought through and make sense to the workforce and to external stakeholders. Moreover, the internal workings of the business demonstrate reasonable levels of stability and when adjustments to worker roles or organisational structure are deemed necessary adequate communication underpins the change.

Such couching of direction captures key developmental traits of both Hoxton Beach and FLP. Each operates from a core of quality product and service provision using sound processes and technology showing respect for safety and environment and achieving solid levels of performance: they are *moving in a clear specific way*. Each has instilled confidence in its customer base, committed resource to its core activities and demonstrated propensity to succeed in that activity: they have *continuity of movement*. And each retains focus and nudges forward *in a coherent manner*, implementing well considered complementary strand of business development activity.

Such treatment of direction and associate business activities that drive that direction thus sits as a key component within this study's conceptualisation of small business strategic management.

The strategic management process in its totality is couching as a messy intertwined process enveloping strategic control components of 'discovery', 'choice' and 'action'. This in practice is implemented as a dynamic organic adaptive learning process. Opportunity or problem forms are in part learned about through partial 'discovery' which in the main requires

experimental 'action' to complete the discovery process and confirm whether the discovery should be firmed up as 'choice' fully-fledged future strategic development strand.

The existing area of business operation and the component parts of business 'direction' are used as focal learning vehicle: an owner manager mental framework against or within which to unfold new learning and consideration of appropriate new strategic development. Such conceptualisation provides 'business direction control criteria' to inform the learning process - thus the owner manager looks to continue to ensure that any strategic response form to identified opportunity or problem: (a) will reinforce current '*clear and specific way forward*'; (b) will produce '*continuity of movement*' with regard to customer confidence and resource commitment to core activities; and (c) will facilitate *coherence* in terms of ongoing tight focus and refrain from uptake of non- complementary business activities.

Overall strategic control takes two part form: short tight interval control of day to day operational processes and financial foundations; which in turn provides the slack and space to facilitate long-term control by way of enabling adaptive learning one's way along through experiment and trial and error.

## **6.5 Small Business Constraints on Owner Manager Creativity and Learning**

So far this analysis with its elaboration of a 'what successful businesses do in practice' small business strategic management process guiding frame has been built on derived understanding of what constitutes best practice. By implication the optimum practical utility of this guiding frame is at least in part dependent upon a user-owner manager ability to actually apply the 'best practice' components of that framework. This in itself is not a bad thing – one key purpose of the framework is to demonstrate what successfully small businesses do and can do in business practice and to thus offer it as a set of integrated

frames of reference for the fostering of owner manager abilities and his small business development capability.

The real potential utility of the framework will probably be only fully realised, however, through recognition and acceptance of the kind of unique problem types and constraints that small businesses *potentially* face vis-a-vis large companies as well as the potential benefits and advantages that are commonly attached to smallness of operation. The reasoning here is twofold: firstly, the propounded small business strategic management process has been formed out of understanding of: (a) how small businesses, often idiosyncratically and frequently through informal management processes, build upon advantages of smallness to foster development; and (b) how they mould those informal and idiosyncratic management approaches to attempt to circumvent the development constraints they face. Secondly, though proceeding to address and deal with the majority of start-up and development constraints and problems facing him and thus taking centre stage as model small business upon which much of this strategic management framework is based, the Hoxton Beach owner manager has not consistently managed the strategic management and strategy development process and facilitated seizing of all potential opportunities: he, as should be expected, was not consistently creative in his thinking and innovative in initiating novel strategic development forms– even when innovative opportunity was there for the taking. And this deserves a little closer consideration when propounding utility of the strategic management mode here elaborated.

In general terms the potential smallness of operation benefits which owner managers may seize and unique problem-types they potentially face which the strategic management process design in this study attempts to embrace can be summarised as follows:



Potential benefits of smallness include: Closeness to customer; lack of bureaucracy and rigid structure; close knit workforce; and pivotal role, always available owner manager as key decision-maker – this in turn can manifest itself in terms of potentially flexible, adaptive and fast responsive organisation, underpinned by ease of decision-making.

Potential unique problem-types (Wyer 1990; Wyer and Smallbone 2005; 2012) faced by small business include: size-related constraints of difficulty raising reasonable cost finance; problems in attracting committed and able workforce; marketing difficulties in terms of obtaining relevant market information and gaining entry to established distribution channels; and difficulty relating to their external operating environment.

In the main Hoxton Beach strategic management approach embraced and countered these benefits and constraints. A key dimension impacting Hoxton Beach strategic management capability, however, is how the very nature of success within Hoxton Beach brings with it significant constraints which act as a severe squeeze upon ongoing owner manager creativity. Success and growth brings with it significant time and resource constraints—constraints which in the main have been dealt with, but which ultimately have shone through from time to time. For example, Hoxton Beach faces a marginal labour market (Curran 1988) and thus finds it difficult to attract quality, experienced and committed workers. Workable during the early steady days of Hoxton Beach development but as the business grows, the owner manager finds himself, on the one hand, still immersed as a ‘jack of all trades’ involved in most areas of day-to-day operational activity (he always has been so immersed – but growth makes more strategic demands on him); and on the other hand striving to step back to deal with the big picture of growth and development opportunities. Fire-fighting is frequently the predominant management form. And as such, owner manager

ability to creatively address key operating and development issues in the manner which epitomised successful Hoxton Beach development to date is significantly reduced. Whilst the owner manager appears to be loosening his constructions in areas such as creative approach to marketing and promotion of existing provision, creative menu design and roll-out of the Hoxton Beach brand (regionally, nationally and even internationally), creating space to adequately conduct such loose construing and to be able to progress those loose constructions to tightened form and ultimate test out is severely strained by the nature of successful growth to date (Wyer, Donohoe and Matthews 2010).

The integral issue here, one of strategic management process convivial to the anchoring onto potential benefits, idiosyncrasies and informalities of small business and the circumventing of potential unique problem types, directs one to the proposition that small businesses must make full use of the resources and people capabilities potentially accessible to them, including fostering latent or dormant skills of the owner manager. To a very great extent such utilisation was the key source of Hoxton Beach development success – but key deficiencies in this area were also a source of constraint with regard to fully seizing all development opportunities available to the owner manager. The next section builds further on this issue of optimal resource utilisation.

## **6.6 Introducing the Notion of the ‘Make-up’ of the Small Business - and the Crucial Integral Role of Emotional Competences in the Productive Anchoring-in of that ‘Distinctiveness of Smallness’ Make-up**

It is the synthesis of the main strands of small business development analysis unfolded within this study that demonstrates the real potential of owner manager emotional intelligence in the small business strategic learning and development and strategic

management processes. Owner manager emotional intelligence and competencies form a key lynch pin (a vital element of a small enterprise) for the productive 'anchoring in' of the distinctiveness, idiosyncrasies, and informalities of smallness of operation (vis-a-vis large companies) in the effective facilitation of strategic learning and holistic small business strategic management. This section elaborates this potential through summary reemphasis and synthesis of the main analytical strands of the study.

A crucial dimension of insight revealed within this study is the opportunity to concertedly build small business capability from the foundations of naturally evolving but often idiosyncratic and informal structures, processes, sub-processes, actions, activities, relationships and inter-linkages that what in this study are presented as the '*make-up*' of small businesses. They are natural because they begin to evolve and form (in varying degrees) around key distinctiveness features of small business which distinguish them from large well-resourced companies. Such distinctiveness features as the abilities, motivations, values and preferences of the owner manager, and potential constraining factors such as lack of reasonable cost finance, inability to attract adequate levels of experienced and committed workforce, difficulty relating to the external environment- and the nature of the change environment the small firm faces, limitations on marketing spend and obtaining of relevant market information. But also potential benefits (with emphasis on potential, they are not absolute) of smallness of operation which some small businesses are able to manage into actual development- driving advantages.

Some small business owner managers merely flounder around these distinctive features, at best managing to tread water and just survive and at worst succumbing to the competitive pressures of more able small businesses and/or the might of large companies. Some small

firms succeed up to a point by attempting to develop and implement processes and activities that are essentially large company oriented, designed and developed for, and often in origin by, large companies. But many successful businesses, such as Hoxton Beach, effectively build around and upon the resource and ability capabilities with which they are endowed and are reasonably able to creatively enhance; and upon and around the potential enabling and constraining features integral to this capability endowment and what their external operating environment through time bestows on them.

And it is this latter mode of small business approach, the take-up of opportunity to concertedly build small business capability from the foundations of what constitute the '*natural make-up*' of small businesses (initially bestowed and evolving, and frequently idiosyncratic and informal structures, processes, sub-processes, actions, activities, relationships and inter-linkages; and associate resource-base) within which effective small business strategic management can derive and be fostered.

In this respect key analytical strands of insight unfolded within this study provide planks of understanding to inform the seizing of such opportunity-taking and resultant form that effective small business strategic management can take. Those key analytical strands are summarised and synthesised as a thread of understanding as follows:

As to be expected, many small businesses are predominantly driven by the owner manager as a pivotal figure - he is the key decision-maker and, if dynamic and truly committed, constantly available to all key stakeholders: workforce, customers, suppliers and so on.

A major danger in nurturing small business development is the owner manager, as pivotal figure, becoming jack of all trades. By choice (including reluctance to delegate) and/or

through resource- and workforce ability-poor circumstance, an owner manager can become (and frequently does) increasingly absorbed in and swamped by the demands of the day-to-day.

All owner managers (and all workforce) can be posited as 'man the scientist' - they constantly progress through time by developing their own personal constructs, their own worldviews, of the business and parts of the business within which they are involved and use these to inform their behaviour (and to test and confirm whether their behaviour is appropriate).

An owner manager as 'very good man the scientist' is often a creative thinker, constantly (or at least given time and operational constraints) regularly looking to approximate and re-approximate his personal constructs of the business and parts thereof - and to unfold innovative strands of new business development and/or ways of improving and adjusting existing business activity.

But not all owner managers are 'good scientists'. Many are 'man the poor scientist' - or lapse into poor scientist mode (for varying reasons, including a need to concentrate on personal life issues at the expense of the business) during which time the firm suffers and often fails.

Successful growth achieving small businesses act practically in building out of the current enabling and constraining dimensions of 'existing natural make-up' of the business - in strategic management terms this involves adopting a from somewhere, rather than a to somewhere approach. They play to their strengths to circumvent constraints and seize opportunity, and to develop new strengths commensurate to the seizing of that

opportunity. It is 'good scientist' driven utilising an owner manager mentally-held framework of understanding of the existing business, its markets, products and processes activities, its associate values and the ways he currently perceives the external environment impacting to facilitate and nurture organic, adaptive learning.

Integral to the above is the natural development of the growth achieving business into a set of relationships: owner manager as pivotal hub with relationship interface with workers, suppliers, distributors, customers, potential customers, government agencies, support providers and even competitors. Key workforce are similarly relationship-linked to key players within and external to the business - directed by their day-to-day roles and responsibilities which bring them into context with these key players.

This web and network of relationships will have predominantly enduring characteristics, but some will be more ad hoc, fleeting interfaces. Progressive owner managers and workers utilise these regular and opportunistic encounters as 'learning nodes' - sources of learning about key issues and change forces of relevance to the business.

Learning opportunity and learning process is thus to a great extent embedded within the day to day activities of both the owner manager and key workers: it is subsumed within the daily activities of the business and its management and workforce. And it thus follows that also to a great extent the functional activities such as marketing (for example, market research and advertising as word-of-mouth actions), which occupies departmental status in many large companies, is similarly often subsumed in the day to day activities of the small business

Much of this information and understanding-building comes out of dialogical learning whereby an owner manager surfaces and challenges assumptions within his existing personal constructs with regard to an issue or circumstances by getting into the personal constructs of others so as to be able to try on their perspectives and understanding for size.

Such key informant-based learning need not and is not fully derived from face to face dialogue - for example, an owner manager's 'snippet learning' from such as the business press, television news, trade journals and other readings similarly produce opportunity to 'try on for size' worldviews of others and to thus challenge their own personal construct perspectives.

Whilst much of the process of 'trying on for size' the personal constructs and perspectives of others can be viewed as information trawling and insight and understanding building, in many instances that understanding building can be considered as the 'bringing forward of owner manager experience'. In new strands of business development opportunity-learning an owner manager tests out his newly forming personal constructs by actually acting them out through experiment. However, use of insight from trusted and respected key informants (the trying on for size of their trusted worldviews) can help instil more confidence into any resultant owner manager new personal construct formation- if the owner manager is using the perspectives from a key informant who has already experienced, at least in part, the circumstance that the owner manager is trying to learn about, such learning process has, if only partially, better facilitated the owner manager's personal construct forming and experimental testing of that construct. Owner managers can thus 'bring forward experience' and reduce time, energy and resource in at least part of their experiment designing and testing.

Each of the above analytical strands contributes to a sythensised analytical whole of small business strategic management understanding which this study has revealed - and the 'oil' which flows through and lubricates this strategic management process is owner manager attitude and abilities/inabilities, and in particular the extent to which emotional intelligence and emotional competences do, or could more effectively, lubricate the small business development totality. Within this chapter's conceptualisation of the adaptive learning-based small business strategic management process, arguably, every facilitating and constraining dimension of the small business development context pivots around the owner manager and his capabilities: ability to identify and act upon external change; ability to foster the initial learning and nurture it through to business experiment form; ability to determine resource requirements; ability to identify and access requisite financial resources; ability to recruit, nurture and motivate necessary workforce; ability to organise and when necessary adjust existing core business activity; ability to maintain that core business activity whilst facilitating the new business development strand experiment. And reflecting upon Hoxton Beach to date, it was the emotional competences of the owner manager which had significant predominance in his 'abilities toolkit' - right across the range of these strategic abilities.

If small businesses must strive for development within the bounds of severe resource and ability confines and within an external context of uncertainty and the facing of totally unknowable change situations – and they must – then they must get the very best out of resources that are available to them and to do this build effectively out of the 'natural make-up' in terms of their particular evolving idiosyncratic and informal structures, processes, sub-processes, actions, activities, relationships and inter-linkages. And it is both



the Hoxton Beach owner manager strengths and weaknesses in this respect which reinforce such potential.

On the one hand, owner manager Patrick's strengths in emotional competences drove and facilitated the whole Hoxton Beach strategic learning and development process. On the other hand, areas of weak or weaker emotional competence made significant contribution to 'hold back' in Hoxton Beach strategic development - and non-uptake of part elaborated identified strands of innovative business development opportunities. Integral to this were emotional competency shortcomings in areas which culminated in: (a) poor organisational ability which in turn led to firefighting, Patrick's over-involvement in the day to day operational and to inadequate creation of 'slack' to facilitate his deeper consideration and management of the 'big development picture'; and (b) inadequate attention to the development of key staff; what he did was good but on his own admission could and should be taken further.

While resource- and ability-constrained, the natural and informal structures, processes, flows, relationships and inter-linkages which make up small businesses are calling out to be fully exploited as key source of circumvention of these resource and ability constraints. Hoxton Beach did and continues to do this very well - and recognises the potential to do even better.

Certainly the small business environment is highly uncertain and very difficult to monitor and understand. But the small business can be perceived as subsumed learning and development nodes in the form of naturally situated human interactions which are calling out to be milked. And, as Patrick has shown, strong owner manager emotional competences can underpin learning from trust-based, confidence-driven interfaces with externally-

situated key informants. And with refined emotional competence such learning interfaces may derive from getting the 'learning best' out of one-off, opportunistic interaction or part of regular interface subsumed in the day to day actions of the business.

Moreover, owner manager own emotional competence can drive concerted training and development of key workforce whose own daily work positioning and linkages can be fostered to incorporate 'snippet' and deeper learning episodes - organisational learning streams again effectively subsumed in day to day work activities; with individual worker learning strand being fed on to the owner manager as hub-learner and thereby potentially creating organisational learning. Furthermore, such owner manager staff development can itself be extended to enhance emotional competences of the more able staff members themselves. A gradual build up of respected, trusted individuals in the eyes of daily encountered potential key informants such as suppliers and customers can lead to sources of deep and valuable learning inputs to the small business. Ability by some members to progressively develop skill to read and feed off the emotional cues of others will enrich their 'learning for the business' capability and reap rich pickings.

Both Hoxton Beach and FLP demonstrate this propensity to foster small business development through build forward of the strengths of the natural structures, processes, sub processes and interactions of their organisations and the subsuming of learning within those structures, processes, flows and relationships (i.e.: out of the 'make-up' of the business) - and to refine their strategic management processes in a form outlined within this study, including continuing to utilise emotional competences as a key facilitating link pin to that strategic management.

## **6.7 Concluding with a Working Model Conceptualisation of Best Practice Small Business**

### **Strategic Management**

Commensurate with the theoretical foundations of this research, the above synthesised strands of insight relating to small business management practice can be considered as researcher creative personal construing. A yoking of threads of ideas and pockets of understanding revealed by the empirical component of this study and through critique and utilisation of standpoints embedded in existing areas of the management literature, together with injection of innovative re-couching of perspectives on small business development. And which in turn culminates within this final section as an 'integrated whole' in the form of the researcher's own personal construct approximation of the small business strategic management process: a personal construction in the form of a working model conceptualisation of small business strategic management convivial to the informing of small business practice.

The model is presented in two diagrammatic forms within Figures 6.1 and 6.2. Model one (Fig 6.1) is elaborated as a 'guiding parameters design frame', designed to inform and guide owner managers and those involved in provision of small business support in their approach to developing a 'good practices'-based small business management process. It presents an all-embracing (for owner manager mental retention) focal framework to direct and foster strategic development learning 'from the here' - in an organic adaptive development mode: ongoing learning focused around understanding of the existing business, its markets and products and processes and its interdependence with the uncertain external environment, the business in terms of its existing 'make-up' and its integral sources and potential sources of strategic learning and development abilities, processes and activities; and the treating of

‘direction’ in terms of a rolling momentum ‘from here’ toward a currently perceived ‘flexible preferred end’, given current own manager understanding of the business and its operating environment (rather than in a purely futuristic sense of direction).

And the ‘whole’ ultimately forming an owner manager flexible mentally-held strategic learning framework - where that ‘whole’ and its component parts (including the ‘preferred end’) are constantly subject to adjustment and refinement in the face of ongoing owner manager learning. ‘Driven’ by personal construct theory with owner manager as pivotal individual, ‘man the good scientist’ constantly looking to approximate and re approximate his personal constructions of his business and its parts through ongoing acts of strategic learning (where appropriate nudging himself through the PCT creativity cycle to unfold innovative strands of new business development activity) - a strategic learning and development process which in great part is facilitated by his own abilities, not least his emotional competences.

Model two (Fig 6.2) represents the strategic management process in action - it attempts to capture ‘best practice’ small business strategic management: it shifts from the ‘theoretical’ guidelines of model one to potential strategic management practice.

In neither model one or model two are the conceptualisations on offer presented as standalone self management development models. They lend themselves as initial management development models for first stage use by such as this researcher with a dynamic owner manager - with the researcher putting the ‘flesh on the bones’ of the models of a nature incorporated within this chapter in its totality. Model two itself then ultimately becomes the personal construct owner manager held mental framework as focal

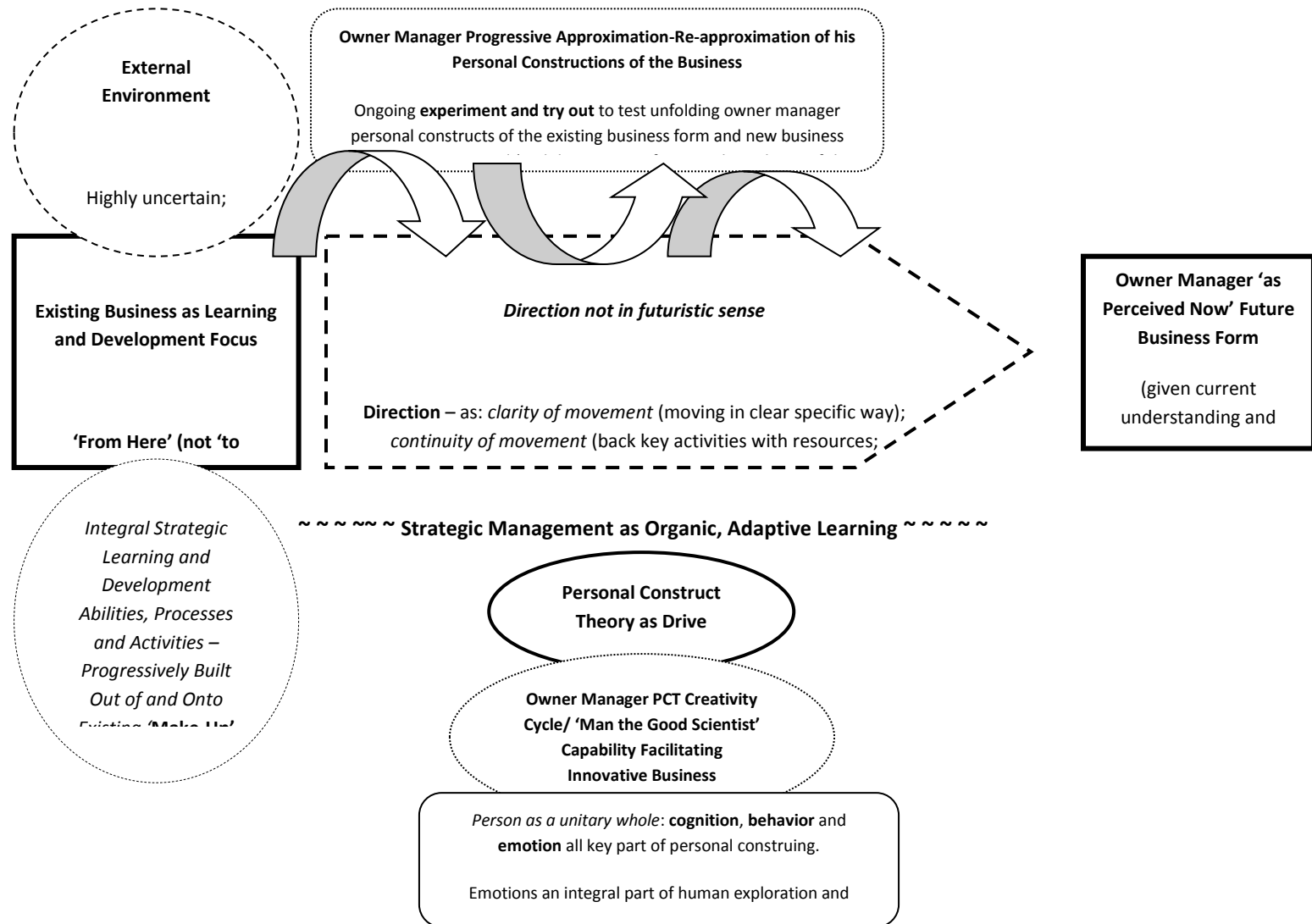
vehicle for owner manager self learning and development – and thus the organisational learning and development of his business.

In terms of pushing the existing boundaries of academic understanding of small business strategic management, the conceptualisation within this study provides contribution as follows. It:

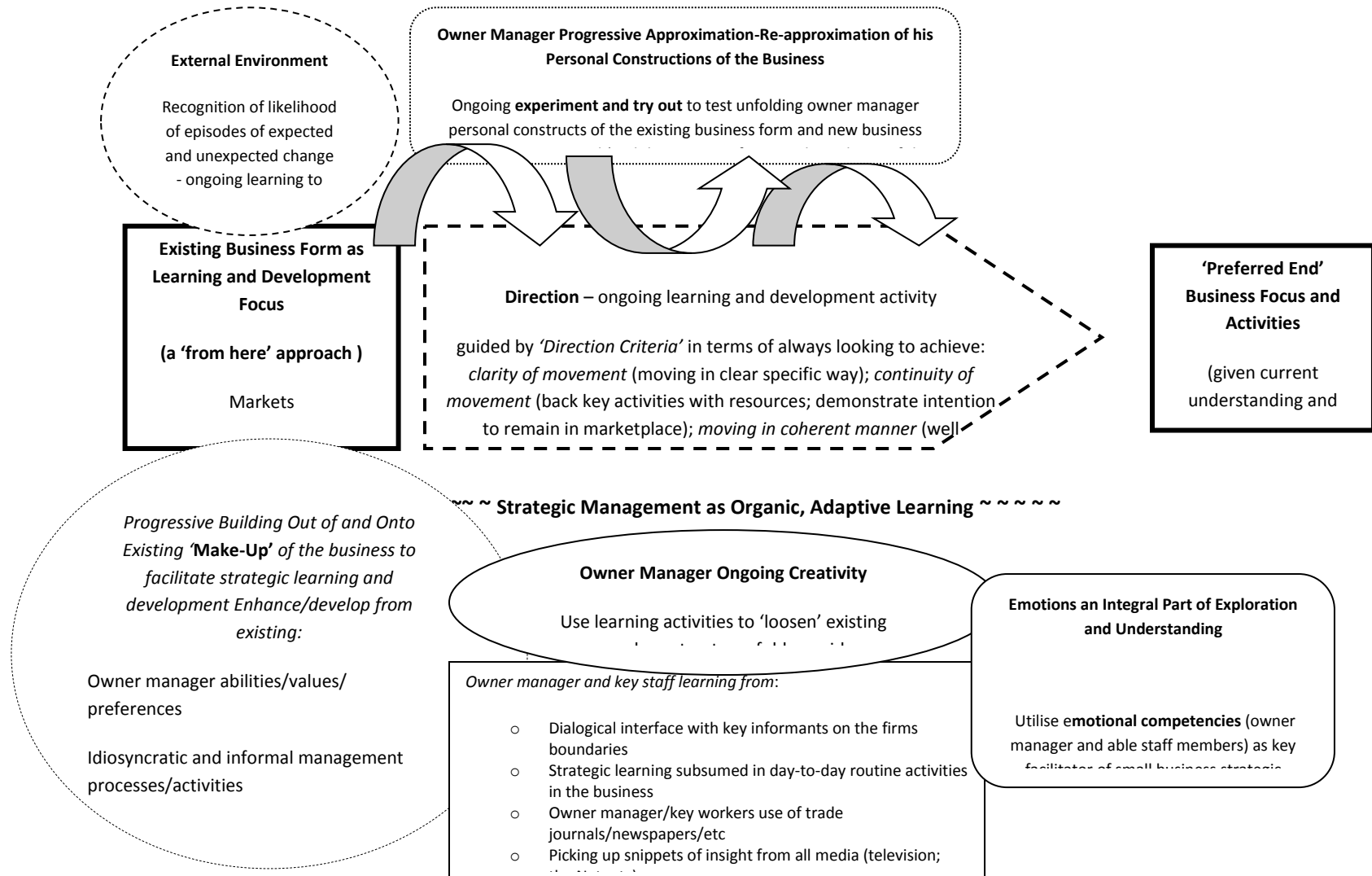
- Builds out of works of Stacey (1990) with regard to strategic management comprising a messy, intertwined discovery-choice- action adaptive organic learning process; and his treatment of strategic direction from a perspective of existing forward momentum of the business rather than pure futuristic sense of direction
- Builds forward the works of Wyer (1990); Wyer et al, (1998; 2000; 2003;2004; 2010) in the grounding of Stacey's conceptualisation in understanding of the distinctiveness of small business
- It draws upon Wyer's utilisation of Kelly's (1955) personal construct theory in underpinning understanding of small business strategic learning processes (and in investigation of this phenomenon as drive motor) - and pushes the boundaries of understanding unfolded by Wyer through more detailed attention to the role of emotions and owner manager managing of those emotions to facilitate strategic learning and development
- It builds on Kelly's treatment of emotions within PCT - but re-approximates the theory itself by refining and enhancing the treatment of emotions within the theory: and embeds this and the associate role of owner manager emotional competences within the PCT creativity cycle

- It draws on existing areas of relevant perspective on the role of emotions on individual behaviour (Baumeister et al 2007) and the potential contribution of emotional competences to organisational management (EI Framework 1998) and integrates these perspectives into a small business development context
- It challenges those areas of the strategy literature which focus successfully on strategy process, but which in so doing effectively treat process as a 'black box' leaving gaps in understanding of what activities and practices actually make up strategy process – in short, it addresses the issue of good small business practices, actions and abilities which make up strategy process
- In total, it integrates and expands the above knowledge bases into conceptualisation capable of guiding small business management practice.

**Fig 6.1 Small Business Strategic Management Process – Guiding Parameters Design Frame**



**Fig 6.2 Small Business Strategic Management Process – Owner Manager Mentally-Held Strategic Development Frame and Associate Key ‘Best Practice’ Strategic Development Actions**





## **Chapter 7: Conclusions**

### **7.1 Introduction**

This chapter, the final chapter of the thesis, presents synthesis of the empirical findings of the study utilising restatement of the research objectives as context. Integral to this synthesis is overview of the original contributions to knowledge unfolded by this work with emphasis of where those contributions are situated within the small business management research field. The theoretical and practical implications of the study are then considered and recommendations for further research are made. The chapter concludes with reemphasis on the limitations of the study.

### **7.2 The Research Aim, Objectives and Empirical Findings**

The intention of this study has been to utilise creative, enduring, longitudinal and trust-based interface with the world of small business practice to enhance understanding of small business strategic management in a manner which transcends academic research tendency to over-focus upon strategy as process by facilitating build up of understanding of the management and learning actions, practices and abilities which make up strategy development process. And to use strategic development projects within the participant practicing small businesses as a form of 'research laboratory key facilitator' of this 'strategy-as-practice' knowledge build up - thereby undertaking a productive research process delivering dual outputs: small business development and growth for the participant business; and enhanced small business strategic management knowledge for the world of academia.

Within this section each sub-objective of the study is used as focal context within which to reiterate key findings and original contributions of the study.

*Restatement of the Study Aim and Sub-objectives:*

The action research-based nature of the study involved the setting of dual overall aims commensurate with the practice and academic strands of research and development.

The *academic aim* has been to critically examine and enhance understanding of strategic development processes and strategic management within growth-oriented small businesses

The parallel *small business practice aim* has been to anchor-in existing, and where appropriate develop new, academic and world of practice understanding of small business management to facilitate consolidation and ongoing sustained development of small business participant to the study

Effective fulfilment of those overall aims has been facilitated by the undertaking of a number of pre-identified research and development actions which was elaborated as sub-objectives deemed internal to the overall aims of the study and couched as the following *integral sub-objectives*:

- To develop and design an innovative action research-based case study methodology convivial to the production of parallel practical and academic small business strategic management research and business development outputs [thereby facilitating advances in small business management knowledge and small business management practice which are capable of further advances – and advances in research skill knowledge which

provides the tools to achieve that further advance in small business management knowledge and practice]

- To undertake critical strategic development analysis of participant small businesses, identify potential strategic development paths available to those businesses and produce and, where appropriate, assist implementation of strategic and operational plans of owner manager (from the identified strategic development path options) selected development paths
- To critically examine the nature and form of strategy development processes in micro and small businesses
- To identify and analyse those management practices and actions and learning processes and activities and individual abilities and behaviours which constitute micro and small business strategic development processes (i.e.: integral 'strategy as practice' components of the relatively 'black box' of strategy process) [with specific focus on the participant small firms]
- To elaborate a model to inform effective strategic development and strategic management practice for entrepreneurial growth-seeking micro and small businesses –

incorporating alternative and new small business management processes and actions  
conceptualization and low level theory convivial to leading small business practice and  
to enhancement of existing academic small business knowledge bases

*Overview of Findings and Contribution by Sub-objective:*

Sub-objective one required the design and development of an innovative action research-based case study methodology which could facilitate production of parallel practical and academic small business strategic management research and business development outputs.

The stance adopted by this study has been the intertwinement of and glove-tight relationship between the production of knowledge and the methodology used to produce that knowledge. Moreover, integral to this stance is the perspective that the design and development of qualitative action research mode of investigation of the nature utilised within this study will be a crafting process - a cycle of design, development, implementation and refinement in the face of implementation phase learning. Given such a standpoint on research methodology development, an end-of-study position is that of progressively refined action research-based case study methodology as both facilitator of investigation process and a study output in its own right. Thus, the final state research methodology designed and developed within this study itself represents an original contribution to knowledge. This was the intention at the outset of the project and this intention has been met - commensurate with that objective as elaborated at outset of study, the research methodology 'has facilitated advances in small business management knowledge and small business management practice, both of which are capable

of further advances...and advances in research skill knowledge which provides the tools to achieve that further advance in small business management knowledge and practice’.

Emphasis of the key parameters and components of the methodology provide support for this assertion:

- (a) Attempts at qualitative investigation of small business development frequently rely on research approaches which are ‘single-point-in time’ or ‘short-time-slice’ focussed, thereby resulting in the drawing of conclusions based on static quality data. The methodology within this study is dynamic: it accommodates close and ongoing interface and interaction over a number of years with the participant small business and its key informant owner manager and staff.
- (b) The enduring time frame and closeness of working partner relationship integral to the action research methodology facilitates the unearthing of fine detail insight into the management practices, actions and abilities which to date have been the ‘black box’ of small business strategy process which research has tended to produce
- (c) The research approach is clearly and explicitly driven by a rigorous base theory Personal Construct Theory integral benefits of which include:

- The in-common treatment and positioning of the researcher and the researched. Both are treated as 'man the scientist' -and thus with their own personal constructions of the phenomenon under investigation. Start-point of the research and ongoing build up of understanding of the business constantly progresses with full regard to existence of commonality and differences in researcher and owner manager constructions and perspectives with each able to 'try the others worldviews on for size'
- As 'man the scientist' it is expected that both owner manager and researcher will progressively refine, enhance and occasionally replace their existing personal constructs of the business and its parts: approximation- re approximation underpins ongoing joint learning toward a solid picture (personal constructs) of the business which provides foundations for practical business development action
- The various elements of PCT as embedded within the methodology provide interpretative frameworks that facilitate the breaking down of owner manager learning and management actions and practices - such as the 'creativity cycle' which proved a highly effective aid in assessing, analysing and understanding the Hoxton Beach unearthing and yoking of diverse threads of partial ideas into ultimate strands of viable business development
- The parameters of PCT which assert that man will attempt to test out his newly forming personal constructs as soon as expedient, effectively by trying them out in practice, offer strong theoretical grounds from which to substantiate or justify the proposition that all small businesses will have to learn their way along and use experiment to test out their emerging learning (new personal constructs) with regard to potential strands of new

business development. Put another way, the use of PCT as an interpretative frame of reference has proved to be a solid component of the methodology in identifying key elements of what successful small businesses do in 'strategic management practice' - and ultimately in the actual design of a 'good strategic management process model' which is a main output of this research study in its entirety.

- (d) Recognition of the potential limitations associated with early fixivity or 'set in stone' research methodology and instead a need for 'ongoing crafting process' and search for research process in improvement is itself a strength of the methodology: the interplay and interacting of research approach and the world of practice of which it is facilitating investigation demonstrates the flexibility and durability of the methodology. For example the interfaces with the Hoxton Beach owner manager began to unfold insight into the crucial role that his emotions and emotional competences were playing in this strategic development actions, which in turn led to adjustment to how emotions were considered within the methodology - and in fact to an adjustment in the way that emotions were treated by Kelly (1955) in his elaboration of PCT. Thus, the use of PCT as drive motor of the methodology effectively facilitates (and conditions the researcher of the need to so expect) a research methodology crafting process of ongoing approximation-re-approximation of the research process commensurate with 'episodes of research' progressive learning. And of key parallel significance is the way that this study in its use of a version of PCT is progressively 'turning PCT in on itself' - Kelly's

theory is being subjected to its own postulations: it is being progressively approximated and re-approximated.

(e) The methodology is able to capture the 'dynamic' and the 'procession' - but also the 'contextual'. A key part of the research approach builds upon Pettigrew's (1980); Wyre's (1990) and Wyer et al's (2003) attempts at 'contextualise analysis' with an integral requirement of multi-level analysis. Thus, whilst the research approach of many small business projects succeed in terms of recognition of the impact or potential impact of external forces on the business under study, such as from within the economic or competitive sub-environments, the assessment frequently fails to extend beyond treatment of external environment as 'descriptive back cloth'. This study, along both its small business practice and academic knowledge development prongs, has attempted to undertake 'multi-level analysis': the methodology directs and facilitates close analysis of the external, horizontal context and the internal, vertical business context and consideration and assessment of interconnectedness and interrelationship between the two.

Sub-objective two required the undertaking of critical strategic development analysis of participant small businesses, identification of potential strategic development paths available to those businesses and production and implementation of strategic and operational plans of owner manager preferred development paths.

Achievement of this objective is evidenced by a documented 'strategic position analysis', a 'guiding strategic development frame' and fully and partial implemented strands of both



operational enhancement and strategic development paths unfolded by the analysis and embedded within the development frame. Qualitative verification of quality and relevance of these practical outputs can be found in the satisfaction levels of the owner managers and the project funders. Quantitative verification can be found in terms of substantial increased levels of turnover and profitability within each participant small business which have resulted since completion of the projects and current ongoing support relationship with the firms. Of course, no claim is here made that the support strands provided within the projects to which this study relates were the sole reason for or contribution to increased sales and profitability, rather a positive contribution to the firms' development and progression.

Sub-objectives three and four required critical examination of the nature and form of strategy development processes in micro and small businesses and analysis of those management practices and actions and learning processes and activities and individual abilities and behaviours which constitute micro and small business strategic development processes (with specific focus on the participant small firms).

The findings within the study support those contentions within the literature that rational long term planning modes of strategic management are inappropriate for small businesses. Whilst the non-existence of such rational long term planning approaches within two businesses does not 'prove' the unviability of such management forms, the participant small firms' management ability levels, resource and time constraints and the uncertain environments within which the businesses are operating do highlight how any rational, tidy, step-process approach to strategy development is, over time, non-implementable - if not from the start doomed to failure, and

ultimately doomed to engineering the failure of the business. Even if one were able to crank up the management capability levels of Hoxton Beach or The Family Law Practice to include access to, say a marketing specialist and economist both conversant with the industry sub-sectors in which the businesses operate, the uncertainty and unpredictability of their operating environments precludes effective utilisation of rational, logical reasoning based modes of management.

In dismissing the utility of rational long-term planning one is also concluding from the study findings that small businesses, in the main, do not map out the progression of their business as pre-determined development path (for example, 'we are currently focusing on this business activity and intend to do this and this, then this over the next 3 to 5 years and thereby meet this long term objective end point'). And thus once again supporting common contentions within much of the existing literature.

In so doing one is also adding further weight as ammunition to question why many support providers and small business financiers continue to utilise rational business planning formats and pro forma in their 'assistance' interfaces with such businesses. This issue is taken further in the 'practical implications' section below, but at this juncture it is the emphasis of the findings as to what the participant small businesses successfully do in strategic management practice which paves the road for rigorous challenging of rational perspectives of small firm strategy development.

It will have been noted that within this sub-section the objectives three and four of this study are being considered together. This responds to the need to address deficiencies within the

strategy literature whereby researched understanding of strategy 'process' is yet to place adequate microscope on the detail of what makes up that process - strategy practices, behaviours and abilities detail beyond process as 'black box': strategy process which has not been adequately opened so as to 'look inside' and see how it worked.

The findings within this study thus offer rigorous grounds for the build up of conceptualisation and of practical guidelines provision through an initial outline couching of what effective strategy development process involves in the participant small firms - and treating this as a kind of 'skeletal processual frame' to be fleshed out by the micro-detail of the findings which have been unfolded by the study's break into the 'black box': thereby providing an ultimate real depth of understanding of what constitutes effective small business strategy development and strategic management processes.

That initial outline couching pivots around strategy development as an essentially organic, adaptive learning process. This supports perspectives within the learning school of strategic management and more practically based literature and 'how-to' texts with regard to the potential to nurture businesses toward 'learning organisation' form. In the main, however, both these strands of existing literature fall short in acknowledging or adequately addressing the issue of distinctiveness of small business vis-a-vis large companies

Within both Hoxton Beach and FLP the owner manager is the pivotal individual who drives the learning process and who breaks into episodes of creative thinking - bouts of rational, reasoning-based strategic thinking certainly; but new and innovative strands of strategic development are founded on generative creative strategic thinking.

A strategy process which in its totality can derive from bare bones disparate ideas through to worked-up experimental business form to physical 'try out' and ultimate fully-fledged new business strand take up - incrementally unfolded, often through untidy and messy to-ing and fro-ing between learning sources and practical learning activities. An intertwined cognitive and behavioural process facilitated, driven and often constrained by owner manager emotions and emotional competences (or lack of an appropriate area of emotional competence) - but rarely committed to 'written' format. Jottings and scribbling, summarising and note making: but no written, formally committed to paper strategy or strategic plan. Small business strategy development process is, narrowly put, a mental process. And as much as it takes place essentially within the mind of the owner manager it supports the cognitive school of thought portraying strategy formation as a cognitive process.

But conceptualisation of small business strategy development process must transcend what would be a limiting sole mental process orientation. The findings of this study support the works of Wyer et al (2001; 2003) in their positing of the owner manager strategically progressing through use of mentally-held framework of his business and current understanding of its external environment as a kind of 'focal learning frame' against which to unfold understanding of change and business development opportunities. The study findings are also supportive of the kind of learning interfaces and practical activities which Wyer et al demonstrate that small business undertake in order to unfold that understanding, that is to strategically learn their way along. Wyer et al thus do, on the one hand, appropriately place owner manager mental process at centre place of small firm strategy development; and on the other hand begin to push the boundaries from over predominant focus on small business

strategy formation as cognitive process to incorporate consideration of the kind of practices actions and behaviours which unfold episodes of learning and bring about progressive adjustment to the owner manager personal constructs of an issue under consideration. In short, they have begun to open and look inside the 'black box' of strategy process. Indeed, in building conceptualisation from Wyer et al's findings, one might transcend the central, but narrow, coupling of small firm strategy formation from mental process to some form of learning behaviour-fed cognitive process: a part conceptualisation which this researcher could live with and indeed does take on board.

However, an iterative process of interaction within this study journeying through literature, world of small business practice, back to the literature and return to business practice has taken the researcher from personal construct theory, its application in practice and the use of that practice insight to turn PCT upon itself and adjust its base premise commensurate with those in-practice findings. In short, Kelly's PCT drew attention to the potential role of emotions in an owner managers personal construing and re-construing processes. Early interface with the owner managers supported Kelly's base contentions regarding the impacts of emotions - but pointed to the need for a more robust treatment of emotions within his theory. Further critique of the literature and parallel ongoing interface with owner manager small business practice revealed the potential for refinement of the treatment of emotions within PCT - and for more robust practical application of the resultant refined PCT in its drive motor form.

The outcome of this research process refinement activity is a deeper and far more effective delving into the 'black box' of small business strategy development process. The management

and practices found to make up that process do further support the work of Wyer et al with regard to learning actions which draw upon close interface with key informants such as suppliers, distributors, customers and potential customers. And the deep dialogical learning which milks those interfaces and feeds the build up of owner manager understanding. It similarly supports Wyer's portrayal of the role of experiment and try out in rounding off the strategic learning process and determining whether an experimented business development idea stands up to the scrutiny of test out, and thus whether it should be implemented as an ongoing resource-backed business strand. But the findings within this study transcend that insight and put real flesh on the bones of this 'first steps inside the black box understanding'. The findings introduce an additional dimension to the cognitive- behavioural couching of strategy formation process through focus and emphasis of the key role of emotions and emotional competences. And integral to such emotional focus is provision of an enhanced understanding of the 'how' owner managers and other key staff reap episodes and snippets of learning from their key informant interfaces and evoke responses about their service provision as foundation for strategic and operational adjustment. The ways for example that an owner manager uses his reputation, the trust in him and his product/service or his command and knowledge of his market niche to nurture confidence in his key informants so as to tease out information and learning from that informant. And exercises sound listening skills to evoke positive and appropriate response from his co-conversant. Or drawing on emotional competence of 'openness' to facilitate the taking on board of negative feedback during business experiment stage of the strategic learning process.

Kelly's PCT emphasises the need to treat individuals as a unitary whole - and the findings within this study in positioning that 'unitary whole' in a small business strategic management practice context see it manifesting itself into small business strategy formation as a cognitive, emotional, behavioural owner manager driven process - a process in which emotions and emotional competence can and should predominate. Poor owner manager recognition and management of own emotions and the emotions of others constrain effective transition of his personal constructs. High level emotional competence facilitates the owner manager learning and adjustment process - negative owner manager emotions trigger cognitive processing which informs appropriate adjustment to his 'if-then' personal constructs and subsequent changes in behaviour. Inability to effectively manage and control emotions can see, say anxiety or disappointment, overrunning an owner manager and perpetuating agonising thinking rather than triggering positive cognitive response to an issue and subsequent business benefiting adjustment to personal constructs.

Within this study owner manager emotional competences have been found to be a key facilitator of strategic learning and development and the potential has been demonstrated for small business high level utilisation of such competences in the offsetting of resource and ability limitations. For example the management task of market research being subsumed in day to day, non-marketing routine operational activities of the business - such as owner manager and key staff interface with knowledge and information holding key informants on the boundaries of the firm's activities: the interaction facilitates source of information; owner manager or key staff emotional competences drive the nature and quality of the learning interaction.

Moreover, the study in introducing the notion of the natural 'make-up' small business demonstrates how each small business at any one point in time is different, with a 'make-up' unique to it: its informal and idiosyncratic management processes; the problem-types and external constraints it faces or potentially faces; its resource-base; its abilities base; the people types which sit in and constitute the lifeblood of this 'make-up'. And it is this 'make-up', these 'infrastructures' which offer themselves as foundations and scaffolding from and within which to foster and develop an organic, adaptive strategic management form whose processes are made up of the kinds of learning and development, in the black box, practices, actions, abilities and 'hows' revealed within this study. The alternative is imposition of formal, tidy strategic management forms in which so many of the 'how-to' texts and small business support providers delight, but which run totally counter to the strengths and potentials already embedding in a particular small firms natural 'make-up'. The guiding parameters for nurturing such an 'existing small firm make-up'-based strategic management approach is considered in the following sub-section as a key output of this research study.

Sub-objective five required the elaboration of a model to inform effective strategy development and strategic management practice for entrepreneurial growth-seeking micro and small businesses - incorporating alternative and new small business management processes and actions conceptualisation and low level theory convivial to leading small business practice and to enhancement of existing academic small business knowledge bases.

Analysis and synthesis of key strands of knowledge and understanding embedded within the practical and academic components of this study, including threads of relevant existing



knowledge base already captured within the literature, has facilitated design and development of two small business strategic management models (diagrammatically presented in chapter 6).

The modelling of a good practice-based small business strategic management process has been developed in two stages. Stage one provides a ' Guiding Parameters Design Frame' which captures the key frames, sub-frames, processes and activities to inform approach to the design and nurturing of effective strategy development and strategic management processes. The stage two model...

The modelling captures and integrates the key component parts of a best practice based small business strategic management process as unfolded within this study. It pushes the existing boundaries of academic understanding of small business strategic management with a conceptualisation of that management process through teasing out, expanding on and/or refining current academic perspectives and creating new independent strands of understanding and knowledge from the practice prong of the study - as summarised in chapter 6, that boundary pushing:

- Builds out of works of Stacey (1990) with regard to strategic management comprising a messy, intertwined discovery-choice- action adaptive organic learning process; and his treatment of strategic direction from a perspective of existing forward momentum of the business rather than pure futuristic sense of direction
- Builds forward the works of Wyer (1990); Wyer et al, (1998; 2000; 2003;2004; 2010) in the grounding of Stacey's conceptualisation in understanding of the distinctiveness of small business

- It draws upon Wyer's utilisation of Kelly's (1955) personal construct theory in underpinning understanding of small business strategic learning processes (and in investigation of this phenomenon as drive motor) - and pushes the boundaries of understanding unfolded by Wyer through more detailed attention to the role of emotions and owner manager managing of those emotions to facilitate strategic learning and development
- It builds on Kelly's treatment of emotions within PCT - but re-approximates the theory itself by refining and enhancing the treatment of emotions within the theory: and embeds this and the associate role of owner manager emotional competences within the PCT creativity cycle
- It draws on existing areas of relevant perspective on the role of emotions on individual behaviour (Baumeister et al 2007) and the potential contribution of emotional competences to organisational management (EI Framework) and integrates these perspectives into a small business development context
- It challenges those areas of the strategy literature which focus successfully on strategy process, but which in so doing effectively treat process as a 'black box' leaving gaps in understanding of what activities and practices actually make up strategy process – in short, it addresses the issue of good small business practices, actions and abilities which make up strategy process
- In total, it integrates and expands the above knowledge bases into conceptualisation capable of guiding small business management practice

### 7.3 Theoretical and Practical Implications

Since the main theory base within this study has fed and facilitated practice, certainly with regard to the practice of research process implementation, and the unfolding of understanding of small business practice has fed back to inform adjustment to the base theory, it is appropriate to consider theoretical and practical implications as intertwined, if not significantly interdependent.

Consideration of the theoretical implications of this study centre predominantly around personal construct theory as 'drive motor' and key facilitator of the action research process and the integral academic and practical outputs which that research process produced.

*The Research Approach:* The study in its design and development of an innovative action research methodology which is personal construct theory-based has produced a research process which is 'self loaded' with the theory that guides it. It directs the researcher into following an investigation process which needs to be progressively crafted and re-crafted in the light of application and review of the research activities undertaken. The research approach is thus one of ongoing approximation and re-approximation of its component parts - in the light of determining adequacy of those research activities and potential for marginal enhancements. A key implication of this is an ultimate end of study output in the form of an innovative qualitative research methodology capable of addressing many of the shortcomings and pitfalls commonly associated with small business management research. And thus availing itself to the world of academia - not necessarily as an 'absolute' for immediate application (though it can be); rather as a working approximation which a small business researcher can 'try on for size'

and work forward to his own personal construction research process form. Here we see theoretical implications of this study output in terms of an academic taking the research methodology as a possible informing start-point and then subjecting it to his or her own personal construct adjustment process to ultimately provide a methodology form which he has moulded or further crafted to his needs. And practical implications in that it is an innovative study output capable of immediate practical application or practical application after further crafting and customising by a potential academic user.

*The Research Outputs:* The key outputs of this research are an enhanced understanding of small business strategy development and strategic management processes and in particular the practices, activities and abilities which make up those processes. In theoretical terms insight revealed in this study challenges existing literature based understanding which are narrow, single discipline or single perspective oriented. The study findings do not dismiss rational logical reasoning-based episodes of strategic development or predetermined strategic development path which such process purports to produce -but learning theory and organisational learning-based understanding appears to have more to offer as partial frame of reference. The cognitive body of academic knowledge helps greatly in approach to understanding owner manager strategising behaviour - but PCT's positing of man the unitary whole dismisses narrow traditional psychology treatment of the individual consisting as separate inner thinking and feeling human being.

The approach to this study with its utilisation of PCT foundations highlights how small business owner managers build their own personal theories of their business world - and how the better

owner managers' will be constantly looking to test out their personal theories and enhance them or even replace them. And that they do this by trying on for size the perspectives of others and from their own experimental behaviour. Thus, the process of owner manager personal constructs transition will involve trying on for size many snippets of practice and many theories held by others. Given the complexity of an owner manager as a person and of the small business strategic learning and development process he is attempting to nurture and manage, it is clearly apparent, and confirmed by this study, that understanding of such a complex phenomenon will derive from a multi-discipline perspective involving integrated grains of truth which are embedded within a variety of theory bases. Underpinning the final modelling of small business strategic management process within this study is a researcher personal construction which is drawing upon a multi-theory and multi-concept set of reference points: including partial insights from learning theory, cognitive theory, economic theory, organisation theory and strategic management schools of thought. The extent to which and the 'how' such theory and concept strands of insight continue to be used in the researchers personal constructs has been moulded by the progressive learning from the practice interface with the participant small businesses which have frequently resulted in researcher adjustment to the theories or concepts he has been using as guiding frame of reference. Moreover, in so much that the participant owner managers have been progressively trying on for size the perspectives offered by the researcher, the owner manager is also incorporating some of this guiding theory into his owner personal constructs.

Integral to these theoretical implications are significant practical messages. To date it can be argued that small business management practice has been leading management theory - when

a key goal of academia must be the reverse. Integral to the personal construct theory-facilitated learning and development process within this study is a co-owner manager-researcher series of personal construing sub processes and activities which see: build up of understanding of small business practice informing theory as held by the researcher (as well as the personal theories of the co-learners); and theory and experience perspectives of the researcher feeding back into interfaces with the owner manager - further business practice insight then informs research perspective and the credence he or she holds for guiding theories being used. And so the cycle of learning and development proceeded.

A key corollary of this learning and development process is that understanding of 'good small business strategic management practice' has within this study fed and informed concept building and has been captured in a small business strategic management process model. A resultant potential is for management educators, small business management trainers and support providers to utilise this model in practice to foster and nurture effective small business management capability. To the extent that this is achievable, we would now see small business management theory - or at least low level theory in the form of interlinked concepts -leading small business management practice.

Moreover, this in turn leads one onto the issue of the potential for explicit use of personal construct theory as vehicle of management education. Many years ago Beck (1980) suggested how the process of fostering a manager's personal construct transition could be equated to management development. The potential unfolded within this study is for management educator's and consultant's utilisation of the strategic management process model to explain

the benefits of recognising the personal construct theory-explained owner manager good practice strategic learning process, and the integral good owner manager practices which foster and facilitate progressive personal construction approximation and re approximation of his small business, its parts and the environment in which development potential sits. And to help the owner manager nurture this strategic learning and management capability - building out of the components of strength within the small firm's existing natural 'make-up'. Integral to this process is management educator helping the owner manager to recognise areas of adequacy in his own personal constructs as well as recognising weak personal constructs and area where underlying assumptions about his business as embedded in some of his personal constructs need to be challenged and possibly adjusted or replaced. In short, positive management development will involve owner managers making marginal adjustment to existing constructs which are in the main serving him well (in Kellian terms this is undertaking 'definition' of existing personal constructs) and sometimes significant change to or total replacement of inadequate personal constructs (Kellian 'extension' of constructs).

The integral bottom-line message here of course is that effective small business management development involves helping managers effectively reflect on the adequacy of their existing personal constructions of their business and parts thereof - and putting in place where necessary new personal constructs to guide their strategic behaviour and business development. As such a large part of small business management education can be an explicit use, in non-technical terms and manner, of personal construct theory to demonstrate owner manager strategic learning process. And the use of management educator-held good practice management knowledge and/or theory and conceptualisation as' interpretative frames of

reference' which the owner manager can 'try on for size' when reflecting upon perspectives and understanding he currently holds within his existing personal constructs, and upon whether he might adjust those constructs or need to create new ones.

#### **7.4 Recommendations for Further Research**

Whilst drawing significantly upon existing strategy and small business strategic management knowledge and existing small business management knowledge of this researcher as well as the action research understanding derived from this investigation to formulate the study conceptualisations, clearly there is a need for further longitudinal research which draws in similar fashion on in-depth partnership working with more small business owner managers. In short, the researcher personal construct approximations which form the academic outputs of this study need to be progressively and rigorously re approximated – by this researcher in his ongoing future action research; and by other researchers who may feel inclination to try on for size this researchers personal constructs for size as one dimension of their small business research start-point. Small business strategic learning and strategy development are highly complex processes and a great deal of time and careful meticulous study is need to continually put flesh on the still relatively bare bones of small business 'strategy-as-practice' understanding. It has taken years to progress the essentially large company oriented strategic management academic knowledge base - and it is likely that many more years will pass before that knowledge-base is adequately grounded in understanding of the distinctiveness of small business and new small firm-specific strategic management unfolds which is fully conducive to informing small business practice.



With regard to the various components of this study, personal construct theory has here been used from the perspective of a relative layman - that is to say not a cognitive or psychology specialist. From the standpoint of this researcher, future study will benefit from the anchoring-in of a PCT 'psychology expert', thereby enriching study through team-based action research. More specifically, the issue of owner manager emotional competence has been unfolded within this study as a key capability element of small business strategic learning. This is one dimension that the psychology specialist would be asked to assist with. And parallel to this is the need for a more robust sub-methodology within the study to facilitate assessment of emotions-related management ability - over and beyond the combination researcher 'external judge' – owner manager self assessment of owner manager emotional competences and weaknesses.

### **7.5 Limitations of the Study**

As to be expected, the study has been resource, time and energy constrained. The researcher is a full-time academic whose 'scholarly activity' work focus is small business support provision oriented - and which has to be dovetailed to a full teaching and assessment timetable. The research was underpinned by partnership working with fully cooperative and totally willing owner managers. This countered many strands of resource and time constraints. But each participant owner manager had a full workload with top priority on sustaining development of the business and providing high quality to service to their customer base. Such was the full context within which the study was undertaken and completed.

More specific limitations relate to number of participant small businesses which can be partnered within such action research study given duration of such focal projects and depth of relationships and insight sought.

And the potential constraints with regard to the layman non-psychologist stance of the researcher in utilisation of personal construct theory - though given the integral assumption that we as individuals are all 'man the scientist' and thus applying the parameters of PCT on a daily basis throughout our lives such limitations are far from all-pervading: used here was a version of PCT, with no claim to try pure Kelly-intended application.

Finally, interpretation of the role of emotions and associate owner manager emotional competences capability is cloaked in potential limitation with regard to determining if and to what extent emotional state contributes to a given situation or set of circumstances- and also raises the issue of the emotional competence of the researcher in accurately assessing and reading such situations.

## **7.6 Conclusion**

This chapter has concluded presentation of the study. Using each sub-objective of the study as focal context, key findings of the investigation were reiterated and original contributions to practice and knowledge were highlighted - contributions that enrich the theory and concept base which underpins understanding of small business strategic management; and strands of which provide a creative research methodology which lends itself to ongoing enhancement of that academic knowledge base.

The theoretical and practical implications of the study were considered in the context of their interdependence both with regard to research process and the research outputs which that process facilitated. One key dimension of this theory-practice interplay is that of personal construct theory driving the research process which in turn facilitated the unfolding of good practice small business management insight which in turn, at least with regard to enhanced practical insight into owner manager use of emotional competence in his strategic learning process, fed back into adjustment to the base personal construct theory being utilised (personal construct theory was turned in on itself, subjected to its own postulates, and re-approximated).

The chapter proceeded to highlight how the 'depth of insight-revealing' propensity of the personal construct theory-based research process produced rich understanding of 'good small business strategic management practice' which fed and informed small business development-related concept building that was ultimately captured in a small business strategic management process model. The potential was propounded for utilisation of this model by those involved in small business support provision to foster and nurture effective small business management capability. It is moreover, suggested that, in utilisation of this model (by support providers and ultimately by small business owner managers themselves), small business management theory - or at least low level theory in the form of interlinked concepts -could be seen to be leading small business management practice.

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## **APPENDIX**

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**Appendix One:** Hoxton Beach Project One - 'Development Frame'

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**Appendix Six:** Emotional Competence Framework

## **Appendix 1 - Hoxton Beach Project One:**

### **Hoxton Beach Development Frame (June 2009)**

#### **Introduction:**

This development frame is structured in two sections:

*Section One* focuses predominantly on key areas of requisite development activity within the current operating period, in order to improve efficiency and effectiveness of existing core markets, products and processes activities (though part 2 of Section One points up potential for parallel strategic awareness regarding identification of new or additional strategic development opportunities). Section one thus relates to the current operating period of one year.

*Section Two* provides a 'flexible strategic development frame' to guide and help facilitate Hoxton Beach growth from 'Current Business Activity Focus' to Owner Manager 'Preferred End' (preferred strategic direction for Hoxton Beach). Section two thus relates to development activity unfolding into a 3-4 years future.

#### **Notes and Observations:**

- (a) *Early Stages Assumption:* The 'Development Frame' in its totality has been designed to underpin Hoxton Beach consolidation and development activity based on the existing staffing structure (i.e.: to be driven *initially* by the owner manager within existing development parameters and associate constraints which impact the owner manager)

(b) *Potential for Quality Operational Assistant*: Assessment and analysis of Hoxton Beach

does, however, reveal potential high level benefits relating to identification and recruitment of a quality operational assistant (with strategic thinking and management capabilities) who could work with the owner manager to take up the strain of day-to-day activity and drive the design and implementation of improvements and enhancements prioritised within this development frame.

Whilst resource constraints clearly hold back such an appointment, it is envisaged that resultant enhancements in operational effectiveness, efficiency gains and increases in revenue streams (together with clear operational and strategic development gains resulting from freeing up the owner manager to focus on Hoxton Beach development) will quickly provide overall income gains and cost savings which will absorb and exceed costs of employing the operational assistant

(c) *Possible use of an 'Impact Entrepreneurial Team'*: An alternative to recruitment of a permanent employee is the use of an outsource 'impact entrepreneurial team' – one, two or three quality individuals (graduate or MBA achievers) who 'short spurt target' (over say three months) specific slices of development activity (such as marketing, promotion and operational approach at identified units/areas of Hoxton Beach activities) and who are paid on a basic income with performance-related pay component

## **Section 1: Development Focus and Actions for Current Operating Period**

**Development focus and actions for current operating period (one year operating period):**

**1. Improve efficiency and effectiveness of existing core markets, products and processes**

**activities:**

Sub-section (a) provides *summary overview* of requisite improvement-generating actions. Sub-section (b) provides the detail of *specific requisite actions* across Hoxton Beach's operational units:

**(a) Focus on improvements of 'the way we do things' – Overview**

- Develop administration and support processes (including record keeping, filing, and financial management and administration processes)
- Enhance day-to-day operational processes and activities across the kitchen unit, Clissold Centre and London Fields café outlets, and White Cross Street and Goodge Place market stalls – with underlying aims of producing a sound, efficient and effective food producing and delivery base and supporting business infrastructure which:
  - Achieves ongoing cost savings and reductions in waste
  - Removes or minimises leakages of cash from retail outlets
  - Consistently provides quality service to customers
  - Progressively builds up a content, committed and skilled workforce
  - Incrementally increases revenue streams and returns to the company
- As main plank of moving Hoxton Beach toward the above outlined operational efficiency and effectiveness improvements, design, develop and produce an

operations manual which helps new and existing employees understand their roles and tasks, including as:

- A guide to what the working day involves for us all, day-to-day operational activities and the ‘what and how to dos’ of ensuring good and safe food preparation and service
- An overview of individual roles and areas of responsibility
- Summary of company policy on hiring, career progression, rewarding performance, reprimand and holiday entitlement
- Provision of essential safety information, covering the security of premises and personal safety and security – including how to handle emergencies such as accidents, fire, power failures, theft and assault
- Summary of guiding actions relating to arising maintenance and repair needs

**(b) Specific actions regarding operational improvements, and enhancement of marketing and promotion approaches and of effective communication with customers and potential customers – by operational unit**

**Cafes:**

*Clissold Centre café:*

- The Hoxton Beach product/service offering within Clissold is varied and of high quality – but it is not adequately communicated and promoted at point of sale and around the actual café: including the nature and form of Hoxton Beach’s speciality foods. Thus,

improve marketing and promotional approaches – within the bounds of advertising/marketing limitations imposed by the Leisure Centre

- Develop a marketing approach to attract customers in low demand periods (mornings up to midday; 2-3.30pm)
- Develop Clissold Leisure Centre as a permanent and captive audience customer base, including Leisure Centre customers and staff – develop a creative offering (for example, creative children's meals; or a free drink after 6 drink purchases; or a free meal after every 10 purchases)
- Examine the possibility for extending the operating day to offer light evening meals – and make fresh falafel when kitchen fan working
- Assess the potential returns from applying for a drinks licence and supplying Hoxton Beach own range of wines
- Work up the Clissold Café Kitchen unit 'quality base' to the parameters embedded within the BRC Global Standard and use this kitchen unit to achieve BRC accreditation as 'safe and local supplier'- this as springboard for future strategic development
- Develop and offer a structured training provision for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operating and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs
- Integral to training – utilise operations manual as base 'training and development aid' and educate staff toward its routine use as frame of reference for assisting their day-to-day work



- Develop a one page guide regarding day-to-day dos and don'ts and performance related pay criteria

*London Fields Lido Café:*

The following activity frame for London Fields Lido Café is underpinned and backed by a detailed **Improvement Analysis** and integral potential suggested improvement actions (an 'Improvement Analysis Document' was produced and is backing for this Development Frame Document and can be made available for perusal ):

- Develop marketing and promotion activity to communicate to potential customers the existence and nature of Hoxton Beach product offering
- Integral to above – ongoing build-up of the café surroundings, environment and ambience (including build up of exotic/garden type surrounds to communicate a leisure/pleasure/relaxation eating and drinking experience)
- Also integral to the above – emphasis on and communication of the quality/'nice fast food' eating experience Hoxton Beach offers, especially with regard to its falafel product offerings
- Install a mobile unit onto forecourt – adorned with customised promotional materials to give focus to the Hoxton Beach differentiated offering
- To achieve above and other operational improvements, Hoxton Beach needs a cash injection – but to come from cash flow/retained profits
- Develop and offer a structured training provision for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff

operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs

- Integral to training – utilise operations manual as base ‘training and development aid’ and educate staff toward its routine use as frame of reference for assisting their day-to-day work
- Develop a one page guide regarding day-to-day dos and don’ts and performance related pay criteria

## **Markets**

### *White Cross Street:*

- Currently, the stall does not offer drinks with food – thus clear potential for cold drinks (will increase takings and margins)
- Increase formalisation of operational and financial control processes (with a key aim of removing cash and/or materials/food leakages)
- Enhance customer experience with introduction of background (Arabian) music
- The authorities may choose to renovate the currently dilapidated street – identify that an alternative site in this high-demand vicinity is available for Hoxton Beach; and/or nearby market stall site additions
- Develop and offer a structured training provision for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff

operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs (with parallel use of operations manual)

- Develop a one page guide regarding day-to-day dos and don'ts and performance related pay criteria (including wearing of uniform and day to day presentation of the stall)

*Goodge Place:*

- Design and development of marketing and promotional approaches and materials to communicate the differentiated Hoxton Beach product offering
- Adopt an incremental approach to promoting the market stall offerings (for example, new promotional boards) and then plough back resultant increased revenues in new tarpaulin cover and enhanced promotional material/boards (rather than a one-off high cost promotion action of purchase of the full range of brand new promotional boards/equipment/tarpaulin)
- Introduce a creative Middle Eastern dimension to the promotional approach and communicating with customers on neighbouring main roads (to pick up on passing trade)
- Introduce background music
- Foster 'improvement oriented' thinking amongst Hoxton Beach staff
- Increase formalization of operational and financial control processes (with a key aim of removing cash and/or materials/food leakages)
- Potential for nurturing common sense thinking and approach amongst some staff may be limited – and thus a clear structured source of guidance and guidelines frames of

reference may be essential for such staff (the operations manual forming a key source of this guidance)

- Develop and offer a structured training provision for staff to enhance their understanding of the Hoxton Beach offering, the customer base and appropriate staff operational and marketing behaviours and actions to fully and effectively match the Hoxton Beach offering to customer needs (with parallel use of operations manual)
- Develop a one page guide regarding day-to-day dos and don'ts and performance related pay criteria (including wearing of uniform and day to day presentation of the stall)

#### **Central Kitchen Unit**

- Identify potential tenant and sublet an area of the unit
- Build forward on excellent process and staffing improvements effected by new chef – including close examination of requisite operational processes in terms of operational actions, requisite quality and health and safety levels and procedures and daily food products output levels. This as basis for ongoing determination of associate optimum staff levels to achieve those daily quality outputs and thus effectively supply Hoxton Beach and direct shop retail outlets
- Linked to above point – assessment of necessary actions and underlying cost of achieving requisite quality operational standards within the kitchen to meet British Retail Consortium global standard: this as a basis for spring boarding into new supermarket and other quality retail outlets

- With regard to financial management and control, working with new bookkeeper to determine the potential to focus the kitchen unit as a cost centre which would also form foundations for future strategic development such as franchising

**(c) Ongoing Build-up of Hoxton Beach Brand:**

**Draw on the various key dimensions of the Hoxton Beach product and service offering when brand-building and developing promotional material:**

- 'Fast food that is healthy'
- 'Healthy food' provision – vegan Lebanese food – *but do not advertise exactly what you do in terms of 'health orientation/green'* – too many companies making a play on it rather than just doing it
- Deliver more than we promise
- Healthy and authentic falafel and other Middle Eastern vegan food
- Authenticity rooted in a product enjoyed for 1,000 years
- Falafel wraps rolled tight as enjoyed in Damascus; Cairo; Beirut
- Freshness – 'prepared as you wait'; made freshly with salad, tahina and Hoxton Beach home-made pickles: to a time-honoured Lebanese formula; but using organic English cider vinegar
- 'Value for money' – goodness, substantial and filling snack-meal
- A value for money, goodness based fast food
- Falafel; as a growing range of healthy and delicious Lebanese vegan food

- Integral to above - competitive price vis-à-vis, for example, sandwiches or McDonalds type offerings
- Product taste which crosses cultural boundaries (considered delicious across cultural boundaries) – thus offering great developmental potential
- Made and delivered or served – 5/6 days a week
- Pricing Approach: Based purely on competitor product pricing – which is the main determinant of what price can be achieved with such a product. But – look at *potential to 'premium price'* some market niches based on communication of differentiated superior value of product offering vis-à-vis run of the mill fast food providers

## **2. Current operating period parallel *strategic* development activity:**

In parallel to the above focus on operational and efficiency improvements, seize opportunities as they arise to progressively identify and develop strategic development possibilities, including:

### **Direct Shop/Café Outlets**

- Identify and negotiate new outlet agreements with London-based cafes and shops (as for example, the recent Foyles opportunity)

## **Learning and Development Activity relating to Future Strategic Development s as Embedded in Following Section 2 Strategic Development Frame**

Whilst the focus of current period development activity is upon present operational and efficiency improvements as outlined in this section, owner manager to also undertake ongoing parallel learning and development activity regarding possible strategic development

opportunities as outlined for future development in the next Section 2 (for example, learning re *office/company deliveries opportunities*; and *outside catering/special events opportunities*)

## **Section 2: Strategic Development Frame: From ‘Current Business Activity Focus’ to Owner Manager ‘Preferred End’**

**Flexible Strategic Development Frame: From ‘Current Business Activity Focus’ to Owner Manager ‘Preferred End’** (development time: unfolding into a 3-4 years future)

### **The Flexible Strategic Development Frame:**

The following represents a ‘flexible strategic development frame’ encompassing intended strategic development strands in terms of owner manager ‘preferred end’ (preferred strategic direction for Hoxton Beach) - in the context of existing Hoxton Beach markets, products and process activities and their honing and refinement, and of current understanding of Hoxton Beach external operating environment and enabling/constraining issues and factors therein. The ‘flexible’ orientation of the strategic development approach facilitates owner manager creativity and innovation through ongoing strategic learning with regard to progressive build up of understanding of the external operating environment, and change therein – and identification and seizing of additional or alternative development opportunities embedded therein.

### **Paths of future strategic development (owner manager current ‘preferred end’):**

Paths of future strategic development (owner manager current ‘preferred end’) are presented in order of potential sequential development – but with integral potential, where appropriate,

for build-up of two or more of the development paths in parallel (and/or of additional identified development paths progressively revealed by owner manager ongoing strategic learning):

### **1. Office and Company Deliveries:**

- Use of White Cross Street as 'hub' for delivery of falafel lunches to office and company workers
- Opportunity for a 'creative thinking' approach to build up of customer bases. For example:
  - Potential use of discount system for regular customers
  - Possible bulk purchase contracts with companies (collaborative build up of 'service agreement' with companies – for instance, the latter using lunches as company perk)
- Note: Recession period offers development opportunity as companies/individuals 'trade down' from previous daily restaurant dining

### **2. Expand Outside Catering/Pursue Seasonal Festivals/Events:**

- Systematic consideration of potential event venues – and negotiation with event organizers
- Opportunistic 'discovery' of event opportunities
- Longer-term: 'outside catering' as a significant revenue stream. Possibility of career path opening for an individual with sole focus on, and sole responsibility for, event catering development and servicing

### **3. Collaborative Provision with Selected Supermarkets:**



Potential for a formal analysed in-writing or face-to-face approach to major supermarkets based upon a structured proposal which incorporates summary of benefits to the participating supermarket. And may be based on the following type 'business models':

- Chill cabinet type falafel product offering
- In-store Hoxton Beach market outlet – freshly made on site; or frozen-microwave based provision. Potential for creation of a country of origin/traditional product corner within the supermarket

#### **4. Grow Business Base through Niche Market Development Model:**

Potential exists to roll-out the Hoxton Beach café model within University food malls, using either:

- The existing Hoxton Beach operational format – utilising Hoxton Beach employee-based provision as currently used in the cafes and market stalls; or
- A self-employed franchise-type model as itemized in section 5 below – with opportunity to roll-out through London universities and colleges, and beyond into the wider sited UK regions

#### **5. Grow Business Base by Franchise Model:**

##### **(a) Growth through extension of market stall outlets based on 'self-employment' model:**

*Example model:*

- Hoxton Beach 'barrow cart' type stall – decorated in promotional logo (rented by franchisee)
- Preparation equipment (rented by franchisee)
- Base falafel food/materials supplied by central kitchen unit
- Provision of full product- and stall selling/marketing-training
- Back up and ongoing marketing support (including benefitting from wider Hoxton Beach advertising and promotional activities)
- *Franchisee:*
  - Faces low business start-up costs
  - Builds business from a proven market /product concept, based on a proven and known brand
  - Adopts self-employed status
  - Pays initial franchise deposit fee; and monthly franchise fee (includes barrow cart and equipment rental; and initial start-up and ongoing training and support);
  - Assume London-based: Is tied to materials and food wholesale supply by Hoxton Beach – pays wholesale price to Hoxton Beach for all food supplies
  - Is free of tie for sale of drinks
  - Start-up costs are kept to a minimum (based on rental – thus no capital investment expenditure)
- *Hoxton beach benefits:*
  - Achieves growth driven by self-employed traders

- Freed of employment/employee servicing costs
  - Can utilize equipment leasing mode of financing – thus removes capital investment cost
  - Training is an integral part of the franchise agreement – thus ability to develop individual franchisees in the ethos of Hoxton Beach and with regard to quality operations and customer service provision
  - Receives initial franchise deposit fee; guaranteed monthly fee income; wholesale product sales income
- *Alternative Version of this model:* All capital equipment ('barrow cart'; preparation equipment) borne by initial capital investment by the franchisee

**(b) Fully fledged franchise model for roll-out into UK regions and nationally:**

**6. Development into Overseas Markets**

- International roll-out of Hoxton Beach brand
- Undertake requisite market research and feasibility assessment
- Commencing with pilot in country where falafel is an accepted delicious product offering – France

**Appendix 2 - Hoxton Beach Project Two**

**Hoxton Beach Summary Franchise Development Plan (July 22nd 2011)**

**Section 1: Hoxton Beach Summary Activity Plan**

*Development activity strand one:* Design and development of an effective Hoxton Beach Franchise Model to facilitate development and growth through: (a) franchising of the 'retail'

component of Hoxton Beach business activity; and (b) franchising of the '*wholesale*' component of Hoxton Beach business activity

1. Research, design and develop the base parameters of an appropriate working, profitable '*retail*' franchise model suitable for Hoxton Beach:
  - Determine and design the skeletal parameters of an appropriate franchise model – i.e.: develop an initial 'approximate base model' to be submitted to the following bullet point 'firming up' activities to produce a finalized model
  - Build up of insight and understanding of the 'person profile' of the Hoxton Beach franchisee
  - Design, develop and implement a 'retail pilot' – development of the 'retail' component of the Hoxton Beach franchise concept through a pilot high street or covered market-based takeaway; set up and formed to provide a 'learning and doing' approach to input to arrive at the final Franchise form (builds out of and upon the already tried and tested 'product' component of the franchise concept) – see Section 2 for required 'pilot' development actions
  - Build up insight and understanding of the geographic development path: appropriate markets – in terms of moving from local to regional to national to international

- As an initial approximation – assess and determine the various strands of resource and staffing requirements to facilitate the franchise development path
2. Utilise the ‘learning outputs’ of the ‘franchise pilot’ to firm up on the final operating form of the retail component franchise model
  3. Make explicit the final Franchise Model; and determine and commit to appropriate documentation the operating parameters, duties and responsibilities of the Franchisor (Hoxton Beach) and the Franchisee as embodied in the designed and developed franchise model – and encapsulate these into a Franchise Agreement (in short the actions necessary to produce a Franchise Agreement portraying the base operating terms)

Parallel to above:

A parallel following of steps 1-3 above to effect research, design and development of an appropriate working, profitable ‘*wholesale*’ franchise model suitable for Hoxton Beach. Including: the design, development and implementation of a ‘wholesale pilot’ – that is, the development of the ‘wholesale’ component of the Hoxton Beach franchise concept through a pilot set up and running of a replica ‘wholesale operation’ based upon the successful London-based Hoxton Beach wholesale model. To be set up and

formed to provide a 'learning and doing' approach to input to arrive at the final Franchise form (thus, builds out of and upon the already tried and tested Hoxton Beach wholesale provision) – see Section 2 for required 'wholesale pilot' development actions

*Development activity strand two:* Driving forward Hoxton Beach as a consolidated whole

1. Make explicit the nature and form of the franchise development path (retail and/or wholesale franchise development component) implementation, requisite development actions and associate timings – including any strategic development adjustments to the 'big Hoxton Beach picture' of existing holistic business activity (i.e.: areas of consolidation, development and withdrawal of existing business activity strands)
2. Utilise the final franchise development model and holistic big picture of Hoxton Beach development to determine levels and forms of working and fixed capital funding requirements and appropriate source(s) of that funding (to effectively facilitate strategic development via this franchise route and the big picture Hoxton Beach development in its totality)

**Section 2: 'Retail Component' Pilot - Establishment and Testing of a High Street or Covered Market-based Takeaway Shop**

**Plan of Actions** (based on next 6-12 months timings):

1. Determine outline parameters of the retail outlet: nature of retail provision;  
nature of the 'product mix'; operating space required
2. Identify an appropriate takeaway shop or market-based location:
  - (a) assess alternative geographic areas in terms of customer base and footfall
  - (b) identify appropriate available premises
3. Undertake detailed costings in terms of:
  - rental/purchase cost
  - business rates
  - operating costs
  - development and miscellaneous costs
4. Determine funding requirement – levels of fixed and working capital needed
5. Raise funds:
  - production of a 'finance raising' Business Plan tailored to demonstrate the strength of the business proposition
  - approach key funding providers:
6. Acquire premises
7. Complete fitting of premises; Recruit and train staff

8. Official launch and opening (to incorporate communicating the Hoxton Beach brand and the innovative 'healthy fast food' provision)
9. Run the shop on a 'learning model' 'try-out/adjust as we develop' mode – to firm up the nature and form of the 'product mix' and associate operating processes
10. Review progress, performance and 'learning outputs' – and assess in the context of implications of the 'retail component' pilot findings for expansion through franchise

**Section 3 - 'Wholesale Component' Pilot - Establishment and Testing of a Replica Hoxton Beach Wholesale Operation**

**Plan of Actions** (based on timings of immediate commencement of planned actions with target full implementation by autumn 2011):

1. Determine outline parameters of the wholesale operation: make explicit the nature, form and key elements of the successful London-based Hoxton Beach wholesale operation to be replicated – and assess outline pre-requirements with regard to identification of an appropriate 'franchisee'/'pilot wholesaler' and wholesale operation facility
2. Identify an appropriate geographic location, wholesale operation facility and 'franchisee'/'pilot wholesaler' – *Note: already preliminarily identified as Glasgow-based*



3. Undertake detailed set up and development costings
4. Agree operating parameters of the pilot start-up and operation – including allocation of ‘franchise’ operation and financial responsibilities of Hoxton Beach and the ‘pilot wholesaler’ (‘franchisee’)
5. Commit operating parameters to working documentation - -including operations manual for pilot wholesaler based upon operations and processes of Hoxton Beach, ‘wholesale’ London
6. Determine funding requirement – levels of fixed and working capital needed (by Hoxton Beach and pilot wholesaler)
7. Raise funds - utilisation of Hoxton Beach cash flow if possible. But if necessary:
  - production of a ‘finance raising’ Business Plan tailored to demonstrate the strength of the business proposition
  - approach key funding providers:

8. Official launch and opening (to incorporate communicating the Hoxton Beach brand and the innovative 'healthy fast food' provision)

9. Both Hoxton Beach and the pilot wholesaler to run the operation on a 'learning model' 'try-out/adjust as we develop' mode – to firm up the nature and form of the operating processes, Hoxton Beach communication and control processes; and the parameters of the wholesale franchise model

10 Review progress, performance and 'learning outputs' – and assess: in the context of implications of the 'wholesale component' pilot findings for Hoxton Beach expansion through 'wholesale' franchise

#### **Section 4 -Development of a Brixton-based 'Pilot Franchise Form' Retail Unit**

**Plan of Development Actions** (*Activities completed to date* are marked in bold):

- i. Undertake Hoxton Beach external operating environment analysis (UK economic environment and integral Food Sector) as informing context to underpin planning and development actions - **Completed**(see following Appendix 4(a) – 'Contextual Rolling External Analysis' document)
- b. Determine and design outline parameters of an appropriate retail franchise model – as an 'approximate base model' - **Completed**(subject to revisit in the

light of subsequent 'action learning' activities in subsequent planned actions below)

c. Development of a 'person profile' of the 'ideal' Hoxton Beach retail franchisee - **Completed**

d. Determine outline parameters of a 'pilot retail outlet': nature of retail provision; nature of the 'product mix'; operating space required - **Completed**

e. Identify an appropriate takeaway shop or market-based location:

f. Assess alternative geographic areas in terms of customer base and footfall

g. Identify appropriate available premises - **Completed**

h. Revisit design of 'approximate base franchise model' in light of learning actions to date - **Completed**

i. Undertake detailed costings in terms of:

- j. rental/purchase cost
- k. business rates
- l. operating costs
- m. development and miscellaneous costs

**i. Completed**

- n. Determine funding requirement: levels of fixed and working capital needed – **Completed**(See following Appendix section 4(b) for example tools developed – ‘Summary Financial Assessment Frame’)

- o. Raise funds:

- p. approach key funding provider - **Completed**

- q. production of a ‘finance raising’ Business Plan to be tailored out of this document to required information detail and format of the finance provider

- r. Acquire premises - **Negotiations ongoing**

**The following to be completed as Stage 2 ‘Action Research’ support:**

- 11. Complete fitting of premises; Recruit and train staff

12. Official launch and opening (to incorporate communicating the Hoxton Beach brand and the innovative 'healthy fast food' provision)
13. Run the shop on a 'learning model' 'try-out/adjust as we develop' mode – to firm up the nature and form of the 'product mix' and associate operating processes
14. Review progress, performance and 'learning outputs'
15. Assess this development strand within Hoxton Beach in its totality in the context of implications of this 'retail component' of development as a 'pilot form' for underpinning further expansion through franchise – including firm-up to a final franchise model

**Appendix Three: Hoxton Beach Case Study One - 'Website Falafel product image and ingredients'**

**Page a)- HOXTON BEACH HOME PAGE 'Anything with Pulse'**

**Page b)-Falafal ingredients**

**Page c)-Patrick Matthews and his team**

a)



## Anything With A Pulse

INGREDIENTS PRODUCTS STOCKISTS TEAM CONTACT

Hoxton Beach for healthy and authentic falafel and other Middle Eastern vegan food, made and delivered in London six days a week.

### Striking Oil



ARE WE NUTS TO FRY IN GROUNDNUT?

### The best falafel in London

Why falafel? They're in supermarkets, in kebab shops, on television.. because they're one of the world's great snacks. They've been enjoyed for thousands of years; chickpeas, their main ingredient, have qualities that intrigue modern clinical nutritionists

But they have to be done right, and if you've ever struggled with a couple of dry bean rissoles in a pitta bread, you should try our version.



### Latest News

Venn Are You Ready ?

Street Food: London vs Paris

Amba Alert

Remember remember the  
?second of November

More News >>>

[Follow @HoxtonBeach](#)

And in other news...

Hoxton Beach falafel sandwiches are rolled up tightly, (in the Middle East they often eat and hold a car's steering wheel with the other hand); they're the real thing, as enjoyed in Damascus, Cairo, Beirut (and at risk to both vendor and customer in Baghdad ) and are made freshly with salad, tahina and our home made organic pickles -- all from £3

Our falafel are part of a growing range of healthy and delicious Lebanese vegan food, which we supply to around 30 London shops including the chains As

b)

## Ingredients

The following whimsical photo-essay will soon be updated. Two of our major suppliers are [Langridge](#), who supply our organic vegetables, and [Community Foods](#), who sell us our Turkish organic chickpeas and vegan organic mayonnaise (though we plan soon to make this ourselves).

Our falafel wraps are packed with...

organic chickpeas, cumin, garlic, dill, parsley, tahina (sesame paste), salted pickles, parsley lettuce, tomato and an optional slathering of our own-make chilli sauce.



Organic chickpeas are grown by conscientious farmers..



harvested, then dried....



minced with cumin....



...garlic



...dill



..and parsley.



Once the falafel has been made, we nestle it up snug in Khubbz bread...



tuck it up with fresh salad....



...and give it a light drizzle of lemony tahina sauce

## Latest News

Venn Are You Ready ?

Street Food: London vs Paris

Amba Alert

Remember remember the  
?second of November

More News >>>

[Follow @HoxtonBeach](#)

And in other news...



c)



**INGREDIENTS PRODUCTS STOCKISTS TEAM CONTACT**

Proper falafel can't be mechanised or mass-produced. Hoxton Beach's reputation depends on a handful of temperamental, food-obsessed individuals.

AND WHAT IS TO FRY IN GROUNDNUT?

### Our Team

Patrick Matthews has wanted to popularise falafel since he discovered them in Damascus when he was studying Arabic at university. He has written books on wine ('The Wild Bunch' was the 1998 Glenfiddich Awards Drink Book of the Year) and also made television features on food. Any caption suggestions for the pic on the right will be gratefully received.



### Latest News

Venn Are You Ready ?

Street Food: London vs Paris

Amba Alert

Remember remember the  
?second of November

More News >>>

 Follow @HoxtonBeach

This is a fragmentary image of Kassem, our chef. Kassem used to make falafel at the legendary Solly's in Golders Green. He has since worked tirelessly on the formula for the perfect falafel. Kassem has resisted various attempts to mechanise his hands-on approach, though he has recently handed over the actual rolling of the sandwich wraps.



This is now done by Barbara, who works the night shift from midnight to 5am to make sure the sandwiches are fresh.

And in other news...



## **Appendix 4 –**

**Contents:** The Family Law Practice ‘Development Frame’

### **The Family Law Practice Development Frame**

Within this section the Family Law Practice Development Frame is structured in two sub-sections (a) and (b):

*(a):* focuses predominantly on key areas of requisite development activity within the initial operating period of November 2009, in order to improve efficiency and effectiveness of existing core markets, products and processes activities and facilitate and initiate kick start of early stage key strategic development activity. Section one thus relates to the operating period of one year from the end of 2009 to the end of 2010

*Section (b):* provides a ‘flexible strategic development frame’ to guide and help facilitate The Family Law Practice growth from ‘Current Business Activity Focus’ to Owner Manager ‘Preferred End’ (preferred strategic direction for FLP). Section (b) thus relates to development activity unfolding into a 2-3 years future.

#### **Section (a): Development focus and actions for operating period 2009-2010:**

**Focus on enhancement of ‘the way we do things’:** *Improve efficiency and effectiveness of existing core markets, products and processes activities – within the context of achieving an holistic service provision underpinned and facilitated by a web based development platform*

#### **(i) Development of holistic service provision**

*FLP working with ICT provider- (Netforce Ltd?)*

- Effect a shift in positioning, communication and provision of FLP business activities in their totality, including integral marketing approaches and activities and client service processes (that are beyond traditional mail-base, single page 'this is what we do' web page communication and office-based client interface) to a holistic all-embracing web-based communication and services provision. Key activities include:
  - Build-up of a service platform that provides customers and potential customers with detailed but 'user friendly' information of services they are looking for and available with regard to all FLP service offerings
  - Development of a promotional platform to facilitate a shift in the ways FLP identify and stay closely in touch with customer needs and wants
  - Integral to this, an holistic 'big picture' communication of FLP services in their totality, incorporating on-line customer interface together with customer service provision of those processes and action steps within a particular service that can be dealt with on-line
  - Indicative of such an on-line 'production process' component of service is the offering of a customer service strand which allows the customer to track the 'service process' and status of their support provision in real-time on-line at their convenience

- Development of continuous performing of search engine optimisation to ensure FLP service pages are easily and promptly found by potential customer search engine users (in short, ensuring FLP services are placed in top research result positions)—(**Analysis-SHOW achieved top listing searching family law practice London-see thesis appendix 5 below**)
  - Creation of FLP Link banner ads and placing of advertisements in search engine results pages
  - Integration into social media and networking – including Twitter and Facebook accounts to keep customers up to date and interested in FLP services (**Analysis show social media framework and tactics**)
  - Implementation of online marketing tactics of emailing campaigns and alerting services. Included here are customised and service-specific emailing campaigns; and targeted campaigns emphasising new product information, special service offers and communication of law or legal aid support changes
- The holistic web-based provision in its totality to be driven by ongoing reinforcement of The Family Law Practice ‘brand’ (ongoing ‘brand awareness’ building)

**(ii) Integral day-to-day process improvements**

*FLP working with ICT provider:*

Design and implementation of the above holistic digital media based holistic service frame brings with it the potential for a revisiting of existing administrative and service processes to ensure dovetail in to and facilitation of the service frame, Requisite actions include:

- Review and, where appropriate, development of administration and support processes (including record keeping, filing, and financial management and administration processes)
- Enhancement where achievable of day-to-day operational processes and activities across the business with underlying aims of producing a sound, efficient and effective service and delivery base and supporting business infrastructure which:
  - Achieves ongoing cost savings and reductions in waste
  - Consistently provides quality service to customers (and identifies changes in customers' perceptions of what quality means to them)
  - Progressively builds up a content, committed and skilled workforce
  - Incrementally increases revenue streams and returns to the company-

### **Strategic development of new services**

#### **(i) Priority action for the strategic development of an innovative mediation service offering**

Integral to the build-up of the holistic web-based business/service activities of FLP is the creative development of an innovative web-driven mediation service model in the form of a 'mediator membership hub' (detailed in pages xx-xx of the strategic assessment section).

The outline detail developed within the assessment document forms the guiding parameters to underpin final design and implementation of the mediation hub. The following summarises the key strategic development actions required to initiate pilot implementation of the 'hub model'.

- Reinforce the design parameters of the Media Hub Model (as in the strategic assessment document), utilizing interface with all stakeholders to derive their perceptions, views and ideas and to identify any possible difficulties and problems – (OWNER MANAGER/RESEARCHERS/CONSULTANTS AND ICT PROVIDER)
- Identify potential mediation hub partners (law firms who will sit on the hub spokes) and determine those who will participate in a 'developmental pilot' of the concept
- Work with the intended pilot partners to refine the parameters of the hub model, including operating processes and activities and underlying costings, resource requirements and pricing strategy – and compile a guiding code of conduct
- Design and develop a resultant 'paper-based' representation of the hub and transform to its web-based operating form (outline parameters of the web-based mediation service provision are presented in the strategic assessment document)
- Progressively develop the hub through initial implementation of a pilot

*Note:* As pre-action to the above, FLP to complete application process for mediation service provider licence

**(ii) Minimising Development Risk:**

- If pilot outcome demonstrates commercial potential of the Mediator Membership Hub, proceed partnership working with spoke-based law firms to strategically grow the concept
- If pilot reveals non-commercial reality of the concept, utilize understanding and development work relating to mediation service provision to develop FLP Sole Mediation Service Provision (i.e.: the mode one option within the strategic assessment document) Note:

**Reality—because the unfolding uncertainty of legal aid cuts—sole mediation option was started with—only now is option of hub development along with promoting mediation being actioned after the cuts really came into play last April 2013**

#fixed fees focus—creative concept of ‘sole representation with piggy back lawyer support’ at a reduced rates

**Section (b): Flexible Strategic Development Frame: From ‘Current Business Activity Focus’ to Owner Manager ‘Preferred End’** (development time: unfolding into a 2-3 years future- 2011-2013)

#### **The Flexible Strategic Development Frame:**

The following represents a ‘flexible strategic development frame’ encompassing intended strategic development strands in terms of owner manager ‘preferred end’ (preferred strategic direction for The Family Law Practice) - in the context of existing FLP markets, products and process activities and their honing and refinement, and of current understanding of FLP external operating environment and enabling/constraining issues and factors therein. The

‘flexible’ orientation of the strategic development approach facilitates owner manager creativity and innovation through ongoing strategic learning with regard to progressive build-up of understanding of the external operating environment, and change therein – and identification and seizing of additional or alternative development opportunities embedded therein.

**Paths of future strategic development (owner manager current ‘preferred end’):**

Paths of future strategic development (owner manager current ‘preferred end’) are presented in order of potential sequential development – but with integral potential, where appropriate, for build-up of two or more of the development paths in parallel (and/or of additional identified development paths progressively revealed by owner manager ongoing strategic learning):

**(a) Incremental development of The Family Law Practice to a forefront national lead role in Mediation service provision**

- **Progressive build-up of FLP to a forefront:**
  - *‘national lead’ role* in nurturing a mediation service culture and providing mediation as a credible alternative legal support function (for potential customers and, interlinked, with socially responsible solicitors)

- *'social role'* in providing a quality and transparent service to society
- *'economic' role* in providing a mediation-based more cost effective route to addressing family breakdown/problems

**(b) Significantly grow FLP as a business by mediation franchise model roll-out**

- Springboard from the incremental development of mediation service provision utilising the Mediator Membership Hub as base model for development of a fully fledged franchise model for roll-out into the regions and nationally

**(c) Develop an innovative mediator training provision strand of business development**

- Utilise the developing expertise in the areas of mediation face-to-face provider (as mentor/coach/advisor) and mediation service organization and management as foundation for a creative mediation training provision

**(d) Progressive identification and build-up of non-family mediation service provision**

- Incrementally develop resource and expertise in additional areas of mediation service provision (beyond predominant focus on family mediation) – areas such as commercial business mediation

**(e) Specific strategic and operational attention to staff development and opportunity throughout overall development and growth of FLP**



- Drive the growth and development of FLP through constant, close attention to progressive development of staff abilities, motivation and career development opportunity - FLP 'quality and contented people' as the key drivers of, and platforms for, sustainable and externally respected business development

## **Appendix 5 Family Law Practice: FLP WEB SITE PAGES a-g Illustrating**

### **'Emotional Marketing' Communication**

**Page a)-Home page 'Love not War' 'Friend Enemy'**

**Page b)-'Keeping the Financial and Emotional costs to a minimum'**

**Page c)-'Online Divorce'**

**In conjunction with;**

**Page d)-'Uncontested Divorce online only £259'**

**Page e)-'Domestic Violence'**

**Page f)-'Online Ask the Lawyer' Portal**

**Page g)-Goole search engine listing first page 'Family Law Practice London'**

a)



b)

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## Family Law Mediation

'Keeping the Financial and Emotional costs to a minimum'



 [Divorce & Separation](#)

 [Finances & Property](#)

 [Mediation](#)

c)

# Online Divorce



Divorce & Separation



Finances & Property



Mediation



Cohabitation



Children



Online Divorce

d)

**TheFamilyLawPractice** [Home](#) [Our Services](#) [News](#) [Online Services](#) [Fixed P](#)

Online divorce

Uncontested  
ONLY  
Only  
£ 259.00

With  
Children  
Only  
£279.00

For Specific  
Needs  
Quote  
on Request  
Mediation  
option

Online Divorce and Separation Support Service


At the Family Law Practice (FLP) we draw on years of experience in the field of Family Law and our understanding of the difficulties and concerns people face during separation, divorce and family traumas.

At the Family Law Practice we tailor the nature of support provision to each individual case:

e)

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### Domestic Violence



Domestic violence can take a variety of forms - physical, emotional or sexual.


When it occurs, swift and positive action is necessary to stop it continuing.

As well as directly affecting the parties involved, it can have huge repercussions on surrounding family, friends, and children.


If you are suffering domestic abuse, there are many experienced organisations who will be able to help.

In case of emergency, call 999 for police or an ambulance.

The organisations below can offer help and advice on how to stay safe and how to get access to emergency refuge accommodation.



**TheFamilyLawPractice**



We conduct ourselves with honesty and integrity

### Email back !

We will contact you asap !

Your Name

Email Address

Telephone

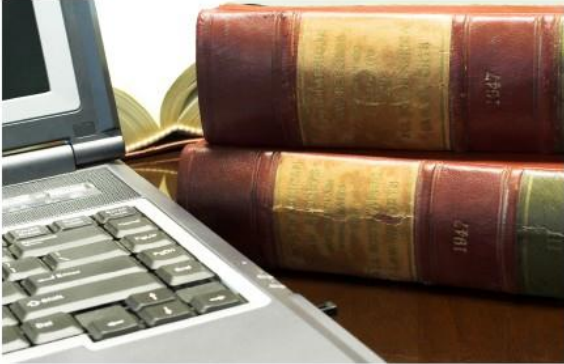


f)

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### Ask the Lawyer

Please enter information on this form to Ask the Lawyer..



First Name \*

Last Name \*

Organization

Address \*


Address2 \*

City \*

Zip \*

Country \*

United Kingdom



### Email back !

We will contact you asap !

Your Name

Email Address

Telephone


Submit Request

### Skype Status

X

I'm offline

### Ask The Lawyer



## Appendix 6

### THE EMOTIONAL COMPETENCE FRAMEWORK

*Adapted from the 'Generic Competence Framework' – The Consortium for Research on Emotional Intelligence in Organisations*

### **THE EMOTIONAL COMPETENCE FRAMEWORK**

#### 1. **Personal Competence**

##### **SELF - AWARENESS**

**Emotional awareness:** Recognizing one's emotions and their effects. People with this competence:

- Know which emotions they are feeling and why
- Realize the links between their feelings and what they think, do, and say
- Recognize how their feelings affect their performance
- Have a guiding awareness of their values and goals

**Accurate self-assessment:** Knowing one's strengths and limits. People with this competence are:

- Aware of their strengths and weaknesses
- Reflective, learning from experience
- Open to candid feedback, new perspectives, continuous learning, and self development
- Able to show a sense of humor and perspective about themselves

**Self-confidence:** Sureness about one's self-worth and capabilities. People with this competence:

- Present themselves with self-assurance; have presence
- Can voice views that are unpopular and go out on a limb for what is right
- Are decisive, able to make sound decisions despite uncertainties and pressures



## **SELF - REGULATION**

**Self-control:** Managing disruptive emotions and impulses. People with this competence:

- Manage their impulsive feelings and distressing emotions well
- Stay composed, positive, and unflappable even in trying moments
- Think clearly and stay focused under pressure

**Trustworthiness:** Maintaining standards of honesty and integrity. People with this competence:

- Act ethically and are above reproach
- Build trust through their reliability and authenticity
- Admit their own mistakes and confront unethical actions in others
- Take tough, principled stands even if they are unpopular

**Conscientiousness:** Taking responsibility for personal performance. People with this competence:

- Meet commitments and keep promises
- Hold themselves accountable for meeting their objectives
- Are organized and careful in their work

**Adaptability:** Flexibility in handling change. People with this competence:

- Smoothly handle multiple demands, shifting priorities, and rapid change
- Adapt their responses and tactics to fit fluid circumstances
- Are flexible in how they see events

**Innovativeness:** Being comfortable with and open to novel ideas and new information. People with this competence:

- Seek out fresh ideas from a wide variety of sources
- Entertain original solutions to problems
- Generate new ideas
- Take fresh perspectives and risks in their thinking

## **SELF - MOTIVATION**

**Achievement drive:** Striving to improve or meet a standard of excellence. People with this competence:

- Are results-oriented, with a high drive to meet their objectives and standards

- Set challenging goals and take calculated risks
- Pursue information to reduce uncertainty and find ways to do better
- Learn how to improve their performance

**Commitment:** Aligning with the goals of the group or organization. People with this competence:

- Readily make personal or group sacrifices to meet a larger organizational goal
- Find a sense of purpose in the larger mission
- Use the group's core values in making decisions and clarifying choices
- Actively seek out opportunities to fulfill the group's mission

**Initiative:** Readiness to act on opportunities. People with this competence:

- Are ready to seize opportunities
- Pursue goals beyond what's required or expected of them
- Cut through red tape and bend the rules when necessary to get the job done
- Mobilize others through unusual, enterprising efforts

**Optimism:** Persistence in pursuing goals despite obstacles and setbacks. People with this competence:

- Persist in seeking goals despite obstacles and setbacks
- Operate from hope of success rather than fear of failure
- See setbacks as due to manageable circumstance rather than a personal flaw

## 2. **Social Competence**

### **SOCIAL AWARENESS**

**Empathy:** Sensing others' feelings and perspective, and taking an active interest in their concerns. People with this competence:

- Are attentive to emotional cues and listen well
- Show sensitivity and understand others' perspectives
- Help out based on understanding other people's needs and feelings

**Service orientation:** Anticipating, recognizing, and meeting customers' needs. People

with this competence:

- Understand customers' needs and match them to services or products
- Seek ways to increase customers' satisfaction and loyalty
- Gladly offer appropriate assistance
- Grasp a customer's perspective, acting as a trusted advisor

**Developing others:** Sensing what others need in order to develop, and bolstering their abilities. People with this competence:

- Acknowledge and reward people's strengths, accomplishments, and development
- Offer useful feedback and identify people's needs for development
- Mentor, give timely coaching, and offer assignments that challenge and grow a

person's skills.

**Leveraging diversity:** Cultivating opportunities through diverse people. People with this competence:

- Respect and relate well to people from varied backgrounds
- Understand diverse worldviews and are sensitive to group differences
- See diversity as opportunity, creating an environment where diverse people can thrive
- Challenge bias and intolerance

**Political awareness:** Reading a group's emotional currents and power relationships. People with this competence:

- Accurately read key power relationships
- Detect crucial social networks
- Understand the forces that shape views and actions of clients, customers, or competitors
- Accurately read situations and organizational and external realities

## **SOCIAL SKILLS**

**Influence:** Wielding effective tactics for persuasion. People with this competence:

- Are skilled at persuasion
- Fine-tune presentations to appeal to the listener

- Use complex strategies like indirect influence to build consensus and support
- Orchestrate dramatic events to effectively make a point

**Communication:** Sending clear and convincing messages. People with this competence:

- Are effective in give-and-take, registering emotional cues in attuning their message
- Deal with difficult issues straightforwardly
- Listen well, seek mutual understanding, and welcome sharing of information fully
- Foster open communication and stay receptive to bad news as well as good

**Leadership:** Inspiring and guiding groups and people. People with this competence:

- Articulate and arouse enthusiasm for a shared vision and mission
- Step forward to lead as needed, regardless of position
- Guide the performance of others while holding them accountable
- Lead by example

**Change catalyst:** Initiating or managing change. People with this competence:

- Recognize the need for change and remove barriers
- Challenge the status quo to acknowledge the need for change
- Champion the change and enlist others in its pursuit
- Model the change expected of others

**Conflict management:** Negotiating and resolving disagreements. People with this competence:

- Handle difficult people and tense situations with diplomacy and tact
- Spot potential conflict, bring disagreements into the open, and help deescalate
- Encourage debate and open discussion
- Orchestrate win-win solutions

**Building bonds:** Nurturing instrumental relationships. People with this competence:

- Cultivate and maintain extensive informal networks
- Seek out relationships that are mutually beneficial

- Build rapport and keep others in the loop
- Make and maintain personal friendships among work associates

***Collaboration and cooperation:*** Working with others toward shared goals. People with this competence:

- Balance a focus on task with attention to relationships
- Collaborate, sharing plans, information, and resources
- Promote a friendly, cooperative climate
- Spot and nurture opportunities for collaboration

***Team capabilities:*** Creating group synergy in pursuing collective goals. People with this competence:

- Model team qualities like respect, helpfulness, and cooperation
- Draw all members into active and enthusiastic participation
- Build team identity, esprit de corps, and commitment
- Protect the group and its reputation; share credit